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15 July 1985

# China Report

## ECONOMIC AFFAIRS

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15 July 1985

CHINA REPORT  
ECONOMIC AFFAIRS

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## GUANGMING RIBAO ON UPDATING CONCEPTS

HK041315 Beijing GUANGMING RIBAO in Chinese 20 May 85 p 3

[Article by Pan Weiwen: "Brief Discussion on Updating Concepts"]

[Text] It is man's social being that determines his thinking. Along with social development, man's ideology and cognition will change sooner or later. Such changes are more obvious when the society changes. At present, the updating of concepts is an objective reflection of the change in man's ideology caused by the fundamental economic and social changes in our country.

We all know that after 1957, the "leftist" guiding ideology was gradually formed in our party. Since then our country has made many political, economic, ideological and cultural "leftist" mistakes to varying degrees and has carried out many "leftist" policies and measures. During the 10-year "Cultural Revolution," these "leftist" mistakes became extreme. Such an objective social environment has gradually helped to form many "leftist" concepts and prejudices in people's minds, such as "taking class struggle as the key link," "observing and analyzing things from the viewpoint of class struggle," "grasping class struggle means launching political movements; successfully carrying out class struggle will naturally bring about an upswing in the economy" and so forth, which have had widespread influence and have even become people's traditional concepts. Since the 3d Plenary Session of the 11th CPC Central Committee, our party's Central Committee has brought order out of chaos in guiding ideology and various major policies, resolutely shifted the focal point of work to economic construction, and stopped carrying out such "leftist" slogans and measures as "taking class struggle as the key link" and so on, thus creating an objective environment for the people to change their "leftist" concepts. What is more, the changes in the cognition and actions of the CPC Central Committee shows that concepts have been updated. So in a sense, updating concepts means that people should free their minds from the fetters of "leftist" ideology and the practical and realistic ideological line should be restored.

Since the 3d Plenary Session of the 11th CPC Central Committee, our country has carried out various reforms which have centered on the construction of the four modernizations and building socialism with Chinese characteristics. The reforms have been carried out under the socialist system. They have centered on a series of links and aspects in production relations and the superstructure, which are related, but do not conform to the development of the productive forces. Thus we can see that the reforms have been carried out on a large scale and will

inevitably bring about enormous social and economic changes and development in our country. Since the implementation of the household contract responsibility system in all rural areas of our country, the 3d Plenary Session of the 11th CPC Central Committee made "The Decision on Reform of the Economic Structure," which provides overall and detailed plans for reform of the economic structure in the urban areas. All these reforms are unprecedented, in the course of which many new ideas and theories have been created and many traditional concepts have been eradicated. For example, a socialist society should not be subject to only one set model; different countries should build socialism with the characteristics of their own countries according to the practical situations of their own countries; the socialist economy is a planned commodity economy, so the ownership and management powers should be properly separated, part of the population should be allowed to become rich first, socialist enterprises should be allowed to compete with one another, the special economic zones should be established, individual economy must be encouraged to develop and so forth, all of which have brought about changes in people's concepts. But on the question of how to reevaluate socialism, the superiority of socialism, the commodity economy, the principle of distribution according to work and so forth, the people's concepts should be further updated. The people's moral concepts, value concepts, time and efficiency concepts and so on should also be updated, or otherwise the reform progress will be hindered.

At present our country has already ended its long-term closed-door history and has been implementing the open-door policy. Since opening the country to the outside world, much advanced scientific technologies, management experiences, and cultures of foreign countries have flowed into our country. Through comparison, people's field of vision has been greatly widened, people's knowledge has been enriched, people's thinking has been improved, and people's concepts have also been updated. For example, the concept that learning foreign experiences is to worship and have blind faith in things foreign, the ludicrous conceit of the King of Yelang, the idea of standing still and refusing to make progress, the idea of looking down upon knowledge and qualified personnel, the practice of not striving for efficiency, not paying attention to science and economic results and various other concepts which are not in conformity with modern society must be changed and replaced by new ones. Of course, we must resolutely resist the decadent, reactionary and backward ideologies and cultures of capitalist society and must not take "following fashions" as an updated concept.

In recent years the social productive forces of our country have greatly developed, the economic construction rate has been increased, and the living standards of the people have been improved, which have enabled the people to change some of their concepts. For example, since the implementation of the system of contracted responsibilities with payment linked to output, and bringing into play the great socialist enthusiasm of 800 million peasants, now the rural economy is being turned into a specialized, commercialized and modernized economy. The traditional concept of small production has been pounded at and people have begun to acquire the concept of modernized big production. Due to improvement in the living standards of the people, the people's living style and concept of consumption have been changed. Some people are now striving for "nutritious food, beautiful clothes, high-grade goods, and comfortable residences," for the concept "socialism is poverty" has already been cast away by the people.

It is necessary to point out that the updating of concepts should be carried out under these conditions: Adhering to communist ideals and the socialist system, sticking to the interests of the broad masses of people, and the practical situation which conforms with present social life.

CSO: 4020/254

NATIONAL POLICY AND ISSUES

BRIEFS

**DELEGATION VISITS HUNGARY, SIGNS ACCORD--Budapest, 7 Jun (XINHUA)--**Jozsef Marjai, deputy premier of the Hungarian Council of Ministers, met visiting Chinese Minister of Posts and Telecommunications Yang Taifang here today and had a cordial and friendly talk with him. They also exchanged views concerning the economic structural reform. A Chinese posts and telecommunications delegation, led by Yang Taifang, arrived in Budapest on 4 June. On 6 June, the Chinese Posts and Telecommunications Ministry and the Hungarian Posts and Telecommunications General Bureau signed a 10-year agreement on postal and telecommunications cooperation. According to the agreement, the two sides will further promote and develop bilateral contacts and cooperation in posts and telecommunications on the basis of equality and mutual benefit. Yang Taifang and his party left Hungary for home on 7 June. [Text] [Beijing XINHUA Domestic Service in Chinese 0214 GMT 8 Jun 85 OW]

CSO: 4020/254

PROVINCIAL AFFAIRS

FUJIAN GOVERNOR'S REPORT ON REFORM, ECONOMY

OW070433 Fuzhou FUJIAN RIBAO in Chinese 8 May 85 p 1

[Report by Governor Hu Ping at the Third Session of the Sixth Fujian Provincial People's Congress on 27 April 1985: "Do Well in Further Opening to the Outside World and Carrying Out Reform, Continue To Develop Fujian's Economy in a Steady and Coordinated Way"]

[Text] Fellow Deputies:

Since the Second Session of the Sixth Provincial People's Congress in March, 1984, under the concern and leadership of the CPC Central Committee and the State Council, profound changes have taken place on all fronts in Fujian Province. Thanks to the common efforts exerted by the people of the province, the domestic economy has developed steadily in the course of opening to the outside world and carrying out reform, and the political situation of stability and unity has been further consolidated. Through practice, the people throughout the province have profoundly understood the correct policy to revitalize Fujian Province by opening to the outside world, carrying out reform, and enlivening the domestic economy. In accordance with the guidelines of the Third Session of the Sixth NPC, and taking into consideration the actual conditions in the province, the Provincial People's Government holds that in 1985 we must firmly grasp the opportunity of advancing further in opening to the outside world and carrying out reform, and in consolidating and developing the province's excellent situation. To meet this general demand, I now submit this government work report, on behalf of the Provincial People's Government, for your examination.

The Current Economic Situation

Under the impetus of party rectification, opening to the outside world and carrying out reform, the province scored marked economic achievements in 1984. The situation in 1984 was the best in the past several years.

Production and construction progressed at comparatively faster speed. The total industrial and agricultural output value reached 21.177 billion yuan, up 21.3 percent over 1983. Domestic income grew at 17.7 percent while the total output value of society increased 20 percent. Rural commodity production developed faster. The superiority of mountain and marine resources was

further brought into play. Village and town enterprises developed rapidly, and agriculture, forestry, animal husbandry, sideline production, and fishery boomed. The province's total agricultural output value came to 8.145 billion yuan, an increase of 21.9 percent over 1983. Except for a slight decline in the output of grains due to a decrease in acreage as a result of readjustment of the production structure, the output of the major farm products registered considerable growth over the previous year. In industry, enterprises further expanded their decision-making powers, accelerated technical transformation, and quickened the importation of technology. The enterprises' speed of development was faster and economic efficiency improved. The province's total industrial output value stood at 11.394 billion yuan, up 20.8 percent over the previous year. Of this, light industry grew 21.8 percent, and heavy industry, 19.2 percent. Transport and communications, posts and telecommunications also developed relatively fast. Investment in capital construction totaled 1.457 billion yuan, an increase of 23.2 percent over 1983. The pattern of investment continued to improve, with greater growth in investment in communications, culture, education, and urban construction. The construction of key projects was further strengthened. Financial revenue reached 1.678 billion yuan, up 15.2 percent, reversing the trend of continuous decline in financial revenue over the past 3 years and achieving a balance in financial revenue and expenditure.

Foreign economic activities continued to develop. Total imports and exports increased 11.1 percent, with exports growing 7.4 percent. In absorbing overseas Chinese and foreign capital, a total of 262 contracts were approved in 1984, worth \$254 million, exceeding the overall total of the previous 5 years. Among the projects signed for, many were of a production and development nature, such as for instance the Shunchang cement plant, which has an annual production capacity of 600,000 tons and is a project carried out in cooperation with Australia. The Xiamen color sensitized materials plant, which has an annual production capacity of 11 million square meters of sensitized materials, was imported from the U.S. Kodak Company. The scale of investment was fairly large and technology was fairly advanced in both cases. Considerable development was scored in the importation of technology, in contracts for overseas projects, and in cooperation in labor services. Since the Xiamen special economic zone was expanded to cover the whole island, the tempo of construction has been accelerated and the necessary conditions for investment have been initially prepared. The number of joint ventures and cooperation projects with foreign businessmen doubled and redoubled. Infrastructural construction at the Fuzhou Mawei economic and technological zone was in full swing. Tourism developed rapidly. Many overseas Chinese and noted personages visited the province. The province received a total of over 260,000 people, including overseas Chinese, compatriots from Hong Kong, Macao, and Taiwan, and foreigners, an increase of 26.3 percent over 1983. Foreign exchange earnings from tourism grew 26.2 percent. Foreign exchanges expanded increasingly. Economic and trade exchanges were developed with Japan, the United States, Australia, Kuwait, Jordan, Thailand, Singapore, the Netherlands, and Switzerland. The province also established sister ties with the State of Oregon of the United States.

Reform of the economic system was further carried out in the fields of production, circulation, and distribution in both rural and urban areas. The contract

system which links remuneration with output was further improved in rural areas, with the number of specialized households and economic associations there increasing considerably. As more and more labor power switched to industrial and commercial enterprises, building industry, transport services, and other service trades, village and town enterprises became an important pillar of the rural economy. Their total income reached 4 billion yuan. In the reform in urban areas, the emphasis was placed on invigorating enterprises, simplifying administrative procedures, and delegating powers to provincial-run enterprises; we supported the call of 55 plant directors (managers) for lifting controls and giving them greater powers, and expanded the decision-making powers of enterprises. The second step in the reform of replacing profit delivery with tax payments was carried out in state-run enterprises, which went through a period of gradual transition from a system of simultaneous profit deliveries and tax payments to one in which profit deliveries were completely replaced by tax payments. In capital construction, a series of reform measures were taken, including the institution of a system of investment responsibility, a system of public bidding, and a system whereby contracts are signed fixing the amount of wages for every 100 yuan worth of finished work. In the area of commerce and commodity circulation, we further enlarged the role of market regulation, established trade centers, expanded country fair trade, increased the number of small retail enterprises, and lifted controls on beverage shops and other service trades. We adopted appropriate reform measures in the planning, labor, and personnel fields, all this further enhanced the enthusiasm of enterprises, staff members, and workers, revitalized the enterprises, and effectively boosted production and construction. After the 3d Plenary Session of the 12th CPC Central Committee, our province drew up a "program for reform of the economic structure in the immediate period," which provided explicit guidance for our reform, enhanced our confidence in its success, and provided favorable conditions for all-round reform of the economic structure this year.

The people's standards of living continued to improve. The per capita net income of peasants reached 345 yuan, 14.3 percent more than in 1983; in cities and towns, the average per capita income of workers and office staff available for covering living expenses rose to 612 yuan. After adjustment for increases in living cost, their real income was 13.3 percent higher than in 1983; the yearend savings deposits of both the urban and rural population were 37.3 percent more than in 1983. The market was brisk, and retail prices totaled 8.496 billion yuan, an increase of 17.5 percent over 1983. Of this, retail sales of consumer goods rose 19 percent.

In the past year, our province's economy developed soundly, in a sustained and coordinated manner, and with fairly good economic results. Its characteristics were: First, our province's economy continued to grow at a fairly fast speed on the basis of stable growth for several years running. Industrial production rose every month and every quarter. Second, production in the two major sectors was fairly balanced. There was coordinated development of agriculture, light industry, and heavy industry, and their growth rates reached two-digit figures. There was coordinated development of the raw and semi-finished materials, processing, light, and heavy industries. Output of electric power, coal, cement, steel products, timber, and other means of production increased by a big margin. Light industrial and textile products were

readily marketable. The output of household electrical appliances and food-stuffs registered fairly big increases. Third, economic results were fairly good. State-run industrial enterprises whose revenues are included in the state budget scored marked results: Their total output value rose 16.3 percent; profits increased 17.8 percent; profits and taxes delivered to the state went up 11.8 percent. In assessing economic results, it was discovered that for eight indicators, aside from excessive spendings in producing finished products, there was a slight rise in regular production cost. The results for six other indicators were better than in 1983. Industrial production maintained a stable growth rate since the beginning of this year.

In the past year marked achievements were made in promoting education, science and technology, culture, health work, physical culture, journalism, publication, broadcasting and television services, and family planning. Activities to promote the "five stresses, four beauties, and three loves" were carried out extensively in the province's rural and urban areas. Marked achievements were made in the joint building of spiritual civilization by soldiers and civilians. New advances were made in militia building and reserve duty work. The building of political power and the legal system made further progress, and social security continued to improve.

Fellow deputies, the present economic situation in our province is indeed very good. However, we must not be blindly optimistic, because we still have many difficulties and problems. Generally speaking, the material and technological foundation of this province is still quite fragile although it has been somewhat strengthened in the last few years. We have not yet fundamentally surmounted our weaknesses, such as strained transport, energy shortage, low per capita grain supply, and poor financial capability, which obstruct economic development. Our overall economic efficiency is still not very good. In some old revolutionary base areas, minority nationality regions, and outlying regions, the level of economic development is comparatively low and the people are faced with more difficulties in production and life. In the course of reforming the old economic structure and establishing a new one, we have not done sufficient research on macroeconomics, we lack foresight, and our management work cannot keep up with reform. Toward the end of last year, consumption funds grew too fast, too much currency was put into circulation, and some commodity prices rose too drastically, causing certain difficulties in people's livelihood. New unhealthy tendencies have appeared in some localities and organizations, disturbing the normal order in economic life and obstructing the smooth progress of reform. They include wantonly issuing bonuses, both in cash and in kind, indiscriminately raising commodity prices to reap exorbitant profits, using one's power to buy and resell materials in short supply, and indulging in extravagance and waste. Since the national conference of governors, we have attached importance to correcting new unhealthy tendencies and achieved preliminary results. We will continue to adopt measures to earnestly solve the aforesaid problems. I ask the people's deputies, CPPCC committee members, and personalities of all circles to comment on the work of the government, and step up their supervision and guidance over it.

Fellow deputies, 1985 is the first year in the overall reform of the economic structure and the last year of the Sixth 5-Year Plan period. This year's work

will have an important effect on the reform of the economic structure as a whole and on our future economic development. We must adhere to the principle of seeking truth from facts and making steady progress, carry forward the fine traditions of building up the country through thrift and hard work, adopt an overall point of view, improve the management of macroeconomic activities, and continue to correct new unhealthy tendencies. We must promote construction of the eight bases, ensure steady and coordinated economic development, achieve good economic results, keep price fluctuations at a minimum, further improve economic efficiency in production, construction, and circulation, and continue to improve the people's livelihood while developing production.

#### Further Open to the Outside World and Develop an Open Domestic Economy

Since it launched special policies and flexible measures in the international economic field, the situation in the province has become better and better from year to year and the economy has gradually become more open and full of vigor and vitality. Since 1984, the Xiamen special economic zone has been enlarged to cover the whole island, Fuzhou has been designated as an open coastal city, and the Xiamen-Zhangzhou-Quanzhou Triangle has become an open region. Recently the CPC Central Committee and the State Council have set new demands in connection with the continued implementation of the special policies and flexible measures in Guangdong and Fujian Provinces. This fully shows that the guiding principle of our international economic work is to open up, not to shut close. We should firmly work in accordance with the demands set by the CPC Central Committee and the State Council, continue to explore and sum up experience in restructuring the economy and in increasing economic exchanges with foreign countries, accelerate building of the special economic zone and the coastal open region, and make great efforts to develop the economy of mountain regions. We should build an economic structure with a rational layout and setup which facilitates our opening to the outside world and our development of an open domestic economy at various levels so that we can develop the economy faster and better.

1. It is necessary to vigorously develop foreign trade and exports and to do a good job in carrying out reform of the foreign trade structure. Vigorously promoting exports in order to create more foreign exchange is an urgent task in carrying out work in external economic relations. The various localities and all departments concerned should first raise economic results and then find ways and means to expand exports. We must ensure the fulfillment of this year's state quotas for exports and foreign exchange and strive to exceed the state quota. All departments concerned should cooperate and coordinate with each other and adopt necessary measures to adjust the economy so that priority can be given to the supply of raw materials and to fuel and transportation facilities so as to promote production of export products. As for products needed for both internal and foreign trade, priority should be given to exports. We should strengthen investigation and study of the international market, strengthen the building of bases for the production of commodities for export, grasp the development of new products for export, gradually change the structure of commodities for export, increase the variety in color and design, improve packaging and decoration, and achieve success in promoting exports by providing good quality and new products.

In the Xiamen-Zhangzhou-Quanzhou delta region for opening to the outside world in southern Fujian, we should effectively promote the production of fresh and perishable items for export to Hong Kong and Macao.

We should strive to do a good job in advertising and promoting the sale of commodities and establish a dependable sales network abroad in a planned way. While grasping the export of commodities, we should also seriously do a good job in importing necessary commodities in order to serve the needs of production and the market.

An important way to develop the export of commodities and increase foreign exchange income is to actively promote processing-on-order business, using raw materials, designs, or parts and accessories provided by foreign firms, as well as compensatory trade. We must attach great importance to and vigorously develop this work and strive to further promote this work this year. In coastal areas inhabited by relatives of overseas Chinese, we should fully utilize their close relationship with people abroad and boldly develop processing-on-order business, using raw materials, designs, or parts and accessories provided by foreign firms, as well as compensatory trade in line with local conditions, in order to further promote the prosperity of native places of overseas Chinese.

In order to ship up the enthusiasm of all units and individuals in promoting foreign trade, it is necessary to further improve the foreign trade system, draw a clear distinction between the functions of the government and those of enterprises, and establish a multilevel and multichannel import-export operational system by integrating central and local foreign trade enterprises. We should strengthen administration, and coordination among trades, in developing foreign trade. We should expand the operational powers of local authorities and enterprises in developing foreign trade. We should also actively promote the integration of industry and trade, of technology and trade, and of import and export. Large and medium enterprises which meet the necessary conditions and joint enterprises may handle directly the export of items produced by these enterprises with the approval of the departments concerned and assume the state export task.

2. The special economic zone and the coastal cities will form a front serving as the forward position for opening to the outside world. Stress should be laid on building the Xiamen special economic zone and grasping the implementation of the plan for building the zone. It is necessary to do a good job in Fuzhou's opening to the outside world and speed up the building of the Mawei economic and technological development zone. We should promptly formulate a plan for building the Xiamen-Zhangzhou-Quangzhou delta region in southern Fujian and implement the plan in an earnest manner. Fuzhou, Xiamen, Zhangzhou, and Quanzhou should fully utilize the favorable condition of opening to the outside world to explore structural reform in a bold manner. The four cities should take bolder and bigger steps and speed up the import of foreign capital, technology, equipment, and management knowledge. They should transform the old city area and old enterprises, establish new industries with special characteristics, vigorously develop commodity production, expand exports, and make the social economy prosper and thus increase their material

wealth. We should use Fuzhou, Xiamen, Zhangzhou, and Quanzhou as a pivot in promoting economic development in the province and developing economic relations with foreign countries. We should link all places inhabited by relatives of overseas Chinese, cities and towns in the coastal areas, and gradually form them into a zone that can serve as the forward position for opening to the outside world so as to lead the economic development of the whole province.

We should take bold but sure steps in developing the building of the special zones, open cities, and coastal areas. We should fully invigorate those places but should also strengthen administrative work. We should strive to achieve economic prosperity as well as a just society with a clean environment and a good mental outlook. We should not only have a high degree of material civilization but also a high degree of spiritual civilization.

It is necessary to actively use overseas Chinese and foreign capital to accelerate technical transformation and technology imports. Efforts must be made to achieve a breakthrough in attracting overseas Chinese capital this year. It is necessary to pay close attention to formulating medium- and long-term plans for using overseas Chinese and foreign capital for various trades in different fiscal years and to carefully selecting and arranging projects for technical transformation. In the near future, attention should be focused on the energy, transport, electronics, machinery, food, textile, garment, building materials, forestry, chemical, and petrochemical industries, as well as on tourism, while rationally distributing and equipping auxiliary facilities for the production of 10 major products, namely automobiles, TV sets, microcomputers, refrigerators, washing machines, sugar, plastic products, industrial machinery, forklifts, and beverages in order to avoid redundant imports. It is also necessary to earnestly conduct negotiations with foreigners and sign several major contracts within this year. Foreign preferential loans should be effectively used, and contracts signed with foreign countries should be carefully carried out to ensure their completion and operation as early as possible. It is necessary to improve the operation of existing joint ventures and cooperative enterprises and to provide good services to enterprises run solely with foreign capital.

It is necessary to actively expand economic and financial cooperation with foreign countries on the basis of equality and mutual benefit, seek various forms of cooperation, and step up economic and technical exchanges with friendly provinces and foreign states in order to induce more countries and regions to invest in Fujian. In foreign economic activities, we must scrupulously abide by our promises and earnestly fulfill contracts.

Technical transformation and technology imports must be aimed at raising product quality, lowering energy and material consumption to end increasing imports so that we can concentrate our limited foreign exchange, capital, and materials on key projects that can be completed and put into operation in the near future. While striving to complete and put into operation 200 projects introduced into Fujian from other countries, we must also effectively absorb, assimilate, and innovate imported technologies and raise domestic capability to produce auxiliary equipment. In order to increase the ability to earn foreign exchange, it is necessary to combine technology imports with development of exports, integrating the use of foreign exchange with the ability to earn foreign exchange.

Portions of the foreign exchange retained by the various localities and foreign exchange Fuzhou and Xiamen are authorized to spend should be used mainly for technical transformation of existing enterprises.

4. It is necessary to actively develop tourism and conclude contracts with foreign countries on engineering projects and labor services. Given the advantages and great potentials of the province, we should achieve relatively marked progress in this field this year. It is necessary to fully harness the enthusiasm of various quarters at major tourist spots; encourage the state, the community, departments, collectives, and individuals to promote tourism jointly; and rely on both our own efforts and those of overseas Chinese and foreign capital in speeding up the development of tourism. It is also necessary to build tourist facilities with local characteristics, run tourist enterprises in a lively and flexible manner, intensify the training of service personnel, and continuously improve management and service quality. We must also increase contacts with foreign countries, conduct lively publicity on tourism, and organize various tourist activities in order to attract large numbers of foreign tourists. Contracts with foreign countries on engineering projects must be explored. It is necessary to sum up experience in providing labor services to foreign countries and to strengthen unified leadership, coordination, and management. It is also necessary to cultivate a good reputation in foreign engineering contracts by strengthening management, ensuring quality, and completing projects according to schedule.

5. It is necessary to further improve the work concerning oversea Chinese affairs and energetically develop trade with Taiwan. It is necessary to continue to eliminate "leftist" influence, overcome resistance to implementing policies concerning overseas Chinese affairs, check and return in a reasonable manner houses privately owned by overseas Chinese, and to improve the political and economic status of returned overseas Chinese and of intellectual family members of overseas Chinese. Those who obstruct or refuse to implement these policies must be duly dealt with.

To vigorously promote economic work is a fundamental part of the work concerning overseas Chinese. It is necessary to give preferential treatment in taxation, product marketing, and land utilization, in employing family members, and in making labor force arrangements to overseas Chinese investing in areas outside the special economic zones and economic and technical development zones. It is necessary to use the connections with Chinese living overseas to import technology, introduce talented personnel, and invite specialists and scholars among overseas Chinese or foreigners of Chinese origin to give lectures or conduct academic exchanges in Fujian. It is also necessary to encourage and guide returned overseas Chinese and family members of Chinese living overseas to take advantage of their family ties and their access to information from abroad to set up various enterprises. It is necessary to expand ties with overseas Chinese, both with influential entrepreneurs, bankers, scientists, small businessmen, and intellectuals as well as with people of other circles. We must make friends with all of them and treat them with sincerity.

To energetically promote trade with Taiwan and facilitate the exchange of mail, trade, and air and shipping services in the interest of the reunification of the

motherland is a great and glorious task shouldered by Fujian. It is necessary to fully utilize Fujian's special conditions to increase the number of ports for conducting direct trade with Taiwan, study the market needs of both sides, meet supply needs for trade with Taiwan, do a good job in receiving Taiwan compatriots, and to strengthen management and coordination in order to achieve new development in trade with Taiwan. We should cordially invite people of various circles and industrial and commercial groups from Taiwan to invest or build plants, develop trade, or conduct economic and technical exchanges with Fujian in order to promote mutual understanding and friendly feelings between the people of the two provinces and jointly contribute to the great cause of reunifying the motherland.

6. Positively carry out economic and technological cooperation inside and outside the province. With the in-depth development of the reform of the economic structure, the gradual reduction of mandatory national economic plans, and the continuous expansion of market regulation, economic and technological cooperation among provinces, among regions, and between provinces and the various departments of the central authorities have become more and more extensive and important. Such cooperation is an important content of the reform of the economic structure; it is the only way to enliven the economy, develop production, expand the market, and accumulate funds. We should strive to expand our connections with other provinces as well as expand economic partnerships inside our province. We should carry out unified planning of the projects for cooperation; strengthen the planning, guidance, and organization of cooperation; formulate concrete policies and measures; and smooth cooperation channels, on the basis of comprehensive investigations and analyses in light of the strong and weak links in the respective localities, in order to positively serve enterprises in carrying out their cooperation with other provinces. We welcome other provinces to establish and run enterprises in Fujian, carry out technological exchange with us, and cooperate with us in managing supplies and developing commodity production. Our province should also extensively carry out economic and technological cooperation within itself, localities where commodity economy is relatively better developed, localities where the economy is relatively backward, and localities where poverty prevails should mutually support each other.

7. Grasp energy, communications, and transportation well to create favorable conditions for opening to both the outside world and inside the country. To solve the energy problem, it is necessary to simultaneously grasp construction and increase production and conservation. The total capacity of our province's most recent power construction project is over 2 million kilowatts, which exceeds the current total capacity in the province. This year the Yongan thermal power plant will expand its No 6 generating set; two power stations built in Fuzhou and Xiamen for emergency purposes will be put in operation; construction of the Zhangping thermal power plant and the Shaxikou hydropower station will be stepped up; the newly built 700,000-kilowatt Fuzhou thermal power plant should step up building roads and a utilities supply system; and the primary-stage construction of the Shuikou hydropower station, listed in the state plan, should be grasped firmly. It is necessary to encourage enterprises, collectives, and individuals to run power plants, and to vigorously develop rural methane production and small power stations. Power enterprises should strengthen their management, production safety, and balanced power supply work.

It is necessary to vigorously grasp energy conservation by continuing to carry out supply work on a selective basis, ensuring fixed-amount contracts for key units, and giving rewards for conservation.

Communications and transportation are weak links in our province's domestic economy, and contradictions between transportation capability and transportation requirements are becoming more and more pronounced. This year the provincial government will adopt further measures to raise funds to strengthen technical transformation and capital construction in communications and transportation. It will also make various efforts to enhance transportation capability to the greatest possible extent. First, it will relax communications and transportation policies and make efforts to enable the state, collectives, and individuals to work jointly to develop communications and transportation through various channels and at various levels. Transportation departments should provide conveniences and services to collective- and individual-run transportation enterprises. Second, it will rationally readjust the transportation structure, and effectively divide operations among railways, highways, and waterways. It will bring into full play our province's strong points, namely, its numerous rivers and long coastline, and vigorously develop domestic coastal transportation and inland navigation on the Min Jiang river system; improve port facilities; consolidate existing highways; enhance loading and unloading capabilities, as well as transport capacity, in order to reduce the pressure on railways. Third, it will strengthen regulation of the communications and transportation command, strengthen supervision over communications, carry out communications safety well, and bring into full play the existing transportation capability, in order to ensure delivery of grain and other important supplies in good time. Key ports and stations should perfect their management systems and strengthen coordination of their command to ensure delivery of supplies in good time and reduce delays in train, shipping, and port operations.

#### Carry Out Economic Structural Reform Steadfastly and Prudently

The central authorities have decided that, in our reform efforts this year, it is necessary to continue to invigorate the economy, bring about much better economic results in various sectors, take a major step forward in reforming the wage and pricing systems, and, at the same time, conscientiously strengthen and improve control and management of macroeconomic activities in order to lay a good foundation for future reforms. We must earnestly implement the guiding principles calling for "steadfastness, prudence, and striving to ensure victory" and, proceeding from reality in Fujian, lose no time in taking action for reform. In adopting major measures and steps for reform, it is necessary to give full consideration to various interacting factors, accurately assess the ability of various sectors to withstand heavy strains, predict macroscopic reactions, and plan carefully to ensure victory in reform. Reform should include the following major fields:

1. It is necessary to conscientiously reform the pricing and wage systems. Pricing is the most effective economic lever. However, for a long period, we have neglected the law of value, failed to reasonably readjust prices, and been used to freeze prices. As a result, prices of many commodities reflect neither their value nor the supply-demand relationship, dampening the

enthusiasm of the producers, and adversely affecting production. Therefore, in straightening out major economic relationships, invigorating enterprises, and further developing commodity production and improving the people's livelihood, we must reform the existing pricing system, the key to success or failure of the entire economic structural reform. In accordance with the central authorities' policy for reforming the pricing system in 1985, which combines relaxed control with readjustment, and aims at progress in measured steps, the emphases of reform in the province are: Rationally readjusting prices of grain in rural areas, relaxing price controls over hogs, and appropriately raising charges for short-distance railway transport. In readjusting prices of grain, we must primarily straighten out prices of grain in rural areas by instituting the same state purchasing and marketing price, and keep the same marketing price in cities and towns. Rice, wheat, and soybeans will be purchased according to contract. The amount of grain within the quota will be purchased at contract price, and that beyond the quota will be purchases at a price to protect the peasants' interests. Other kinds of grain can be sold and purchased freely on the market. The change from unified purchase to purchase at a fixed price is a reform of the purchasing system, which gives planning guidance by combining economic means with contracts. Rather than diminishing the importance of grain procurement, it requires the peasants to continue to actively sign, and fulfill, the contract of purchase under guidance of the state plan. In order to do a good job in contract purchase of grain, the provincial government has decided to continue measures rewarding the marketing of chemical fertilizers, paying a deposit for advance procurement and subsidy for the mileage of transporting grain, and employing train procurement coordinators. After price controls over hogs are relaxed, the state will no longer impose a unified price, but will, in accordance with the supply-demand trend, formulate price guidance. Hog marketing units may flexibly readjust and sell the product at floating prices, according to the market situation. After the unified purchase system for timber is abolished, the state will only list prices for reference, and exercise leadership over negotiated purchase and marketing. Therefore, forestry departments should unclog lumber circulation channels, and effectively link producing, supplying, and marketing units to meet the needs of industrial production and the market. Control over prices of other agricultural and sideline products will also be gradually relaxed, and market regulation will be introduced to facilitate production in rural areas. After controls over prices of pork and live and perishable products are relaxed, an appropriate subsidy from state finance will be issued to city dwellers. Readjustment of charges for short-distance railway transport will be carried out under the State Council's unified arrangements. Readjustment of prices of grain, relaxation of controls over hog prices, and abolition of the unified purchases system of lumber, which will affect the province's economic life, are rather complex and arduous tasks. Governments at all levels must act prudently, conscientiously study the new situation, and solve problems, to ensure the smooth progress of reform.

Reform of the wage system is everybody's concern. Reform in 1985 should be focused mainly on establishing a new wage system, and preliminarily straightening out wage relationships in laying a foundation for future improvement of the wage system. State enterprises must gradually introduce the method of letting the total payroll fluctuate according to economic performance. The method will

first be tried at enterprises having sound management foundations and normal production tasks, and having passed the check for enterprise consolidation. Then, it will be systematically introduced in other enterprises, which will temporarily continue the existing method, while adopting other reformative measures. In government departments and institutions, a system, in which wages are related to specific work, will be introduced. The provincial government is working on details for reform of the wage system, in accordance with the central authorities' arrangements.

2. Readjusting the rural production structure must be steadily carried out. Comprehensively implementing the CPC Central Committee's No 1 Document, continuing to perfect the system of contracted household responsibility with remuneration determined by farm output, reforming the system of unified and fixed state purchases of agricultural and sideline products, readjusting the rural production structure, and enlivening the rural economy are important tasks for this year's work in rural areas. Governments at all levels should map out unified planning, make comprehensive arrangements, and strengthen leadership.

The readjustment of the rural production structure is a long-term strategic task which must be carried out on the basis of seeking truth from facts and in a planned and systematic way. It is necessary to regard the exploration of our province's rich mountain and sea resources as the basis and gradually establish a production structure characterized by comprehensive development of agriculture, forestry, animal husbandry, sideline production, and fishery and by consolidated management of agriculture, industry, commerce, and transport. As far as long-term basis and economic results are concerned, it is unrealistic to solely pursue self-sufficiency in grain. Fujian Province has never been a province of grain self-sufficiency. However, because readjusting the rural production structure is very complex work and regulating and transporting grain is difficult, we must continue to firmly grasp grain production and readjust the sowing acreage of grain and industrial crops in a planned way according to the principle "never relax grain production and positively develop diversified economy." Major grain-producing areas should continue to bring their strong points into play, raise grain output and quality, do a good job in transferring grain to animal husbandry and fishery, and enhance economic results. The province should provide subsidiary funds to marketable grain base counties. Grain regulation and transportation, financial burdens, and market supply and demand should be considered in localities suitable for planting industrial crops in order to gradually expand the acreage of industrial crops. In sowing grain and industrial crops, it is necessary to stress science, vigorously popularize fine seed strains, strive to raise per-unit output, and increase total output.

In carrying out readjustment of the production structure, it is necessary to pay attention to developing major agricultural undertakings, vigorously developing animal husbandry and aquatic products, developing timber production, and planting fruits and flowers. It is necessary to embark on the road of consolidated development of agriculture, industry, commerce, transport, architectural construction, and various kinds of service industries according to the demands of commodity production. An important part of readjusting the

rural transportation industry, the agricultural and sideline products processing industry, and the architectural construction materials industry. We must positively import advanced technology and modern management methods suitable to rural areas and local characteristics and raise the economic results and competitiveness of enterprises. We must positively assist the various kinds of specialized households and encourage the peasants to develop various forms of cooperative and joint enterprises according to their own wishes and mutual interests so as to gradually perfect the rural commodity economy. The departments concerned should formulate measures to enliven town and township-run enterprises, establish necessary charters and management methods, and guide and assist town and township-run enterprises in achieving healthier and faster development. Readjusting the production structure in "old revolutionary, minority nationality, and remote" areas must be carried out in accordance with the local conditions and on the basis of selecting the more suitable ones for development. Governments at all levels should provide necessary materials and financial resources to assist in such development.

3. Decisionmaking powers of enterprises should be further expanded, and large- and medium-sized enterprises should be enlivened. Although there are not many large- and medium-sized enterprises in our province, they occupy a decisive position in the national economy and are the main source of our province's financial income. In the past several years, they have played a tremendous role in stabilizing the economy, in opening to the outside world, in ensuring the construction of major projects, and in supporting the reform of the urban and suburban economic structures. Now, with the continuous deepening of reform, small-sized enterprises have become active, providing conditions for the reform of large-sized enterprises. We should continue to enliven small-sized enterprises and expand large-sized enterprises' decisionmaking powers on the basis of last year's "unbinding actions" and relegation of powers. We should reform enterprises' leadership systems to further perfect the responsibility systems for plant directors (managers); allow enterprises to raise capital through various channels and to increase their capabilities in technical transformation and product exploration; expand large-sized enterprises' powers to arrange production, supply, and marketing by themselves, allowing them to engage in diversified economy while maintaining a major line of undertaking and to utilize surplus labor to run tertiary industry; and prohibit irrational quotas for enterprises and properly readjust and reduce the tax regulation of some advanced enterprises. The departments concerned should unreservedly give enterprises the powers that they deserve. Enterprises should also be bold in using such powers and using them well. They should direct their attention on themselves and do a good job in internal reform and in raising competitiveness, thus bringing about healthy production and management as early as possible and achieving continuous enhancement of economic results, steady increase in development, daily improvement in technology, and enhancement of living standards of staff members and workers.

4. Develop lateral economic relations, and bring into full play the role of the cities as commercial hubs. An important task in urban reform is to further open the cities to the outside world by breaching boundaries separating cities and the countryside; by removing barriers between different localities and

departments, by developing lateral contacts, by promoting rational circulation and organization of material, capital, technology, and professional people, and by developing various forms of economic cooperation between different professions and trades, between the urban and rural areas, and between different localities. What is currently more important is to bring into full play all positive factors from various quarters in vigorously developing a tertiary industry to include commerce, finance, transportation, communications, culture, science, technology, information, consultation, public utilities, and other services, in order to better serve society, the people, and the policy of opening to the outside world. First, it is necessary to bolster circulation by establishing various types of trade center and markets for the means of production and livelihood, and by arranging direct contacts between the producers, suppliers, and sellers, thereby achieving better commodity circulation. Second, it is necessary to adopt a preferential treatment policy, in order to attract local and outside capital, as well as that from urban and rural areas. It is also necessary to tap local financial resources to develop urban transportation and communications, and to build or repair public utilities and other basic services, in order to enhance the cities' attractiveness and vitality. Third, it is necessary to tap various resources in setting up information, intelligence, and consultative services. In developing lateral relations, it is necessary to adhere to the principle of self-determination, voluntary and mutually beneficial, and to promote, and support, various forms of economic cooperation by means of public bidding. Governments at all levels must employ various economic, legal, and administrative means to strengthen macromanagement of the urban economy.

While the above-mentioned reform measures are being carried out, it is also necessary to continually carry out reform in planning, capital construction, finance, banking, labor personnel, and other undertakings.

#### Vigorously Develop Scientific, Technological, and Educational Undertakings

An important strategy in Fujian's economic construction is developing education in science, in order to excel in scientific know-how. We must fully realize the importance of this strategy, and include it in the government's daily agenda of important matters.

The major tasks in this year's scientific and technological work are to earnestly implement the guidelines of the national conference on scientific and technological work, actively carry out scientific and technological structural reform, and exert greater efforts in linking science and technology with economic construction. First, it is necessary to formulate a long-range plan for our province's scientific and technological development, to meet the needs of our province's social and economic developments. The plan must set relatively high targets, put emphasis on certain projects, and stress the importance of introducing foreign technology to develop our own. It must also include steps for readjusting the scientific research organs, and organizing scientific and technological personnel. Second, it is necessary to open the technology market to the outside world, and accelerate the commercialization of technological results. It is necessary to change the old practice of relying purely on administrative means for technological transfers, and let technological

achievements be sold on the market as commodities, at prices set by free bargaining between the buyers and sellers. This will encourage the scientific research units, particularly those engaged in technological development, to be better adapted to economic and social developments, and strive to produce more marketable technology. Fuzhou and Xiamen must continue to run their trial technology markets well, and the other localities must also actively promote various forms of technological exchange activities. Our province's technological market must be open to the whole country, and must encourage the introduction of outside technology into our province. It is necessary to seriously implement the patent law to protect the property rights of technological know-how. Third, it is necessary to reform the appropriations system for scientific research organizations, with a view to bringing into full play the role of scientific and technological contingents of the various institutions and departments of higher learning, and in the various enterprises. It is necessary to bring the positive factors of various quarters into full play in establishing various forms of joint associations, combining scientific research and production. The various departments and enterprises must also build up their own scientific and technological contingents, and promote mass technological innovation activities. Fourth, it is necessary to pay attention to popularizing science among the masses, give full play to the scientific associations, and strive to raise the scientific level of the entire people. More importantly, it is necessary to attach importance to promoting scientific and technological activities among the young. Fifth, it is necessary to strengthen scientific and technological services, and do a good job in setting up scientific and technological information, computer, analytical tests, and quality inspection centers, to expand the scope, and raise the quality, of services.

We stress attaching great importance to scientific and technological work, including attaching great importance to social science. It is necessary to firmly grasp the training of qualified social science personnel, bring the role of social science workers now available into full play, organize them to conduct investigations and studies of the important tasks in Fujian's economic and social development, and entrust them with responsibility for this work so they can make suggestions, draw up plans, and serve the policy decision of the leadership and the construction of the four modernizations.

The fundamental task of education is to train qualified personnel. It is necessary to grasp education by proceeding from the elementary education in middle and primary schools and lay a foundation for training from childhood citizens with ideals and who are moral, educated and well-disciplined generation after generation. It is necessary to make rural primary education and urban junior secondary education universal, greatly develop preschool education and teacher education, and carry out the compulsory education system in a planned way. The successful development of secondary and primary education relies mainly on all localities. Within the next several years it is necessary to increase the appropriations for education faster than the increase of normal financial income. It is particularly necessary to give more support to old liberated, minority nationality, and border areas. In addition, it is necessary to encourage the masses to pool resources to run schools and individuals to run schools. It is necessary to raise schoolteachers' social position and continue to readjust the structure of secondary education and vigorously develop vocational and technical education, so that the number of enrollees in

technical secondary schools and vocational schools will surpass that in senior high schools in a few years. The development of higher education relies mainly on tapping the potential of currently existing institutions of higher learning, including increasing the number of students to be admitted, offering more new specialities, and opening as many special fields of study as possible concerning economic relations with foreign countries, foreign trade, foreign languages, commerce, light industry, electronics, building material, management, politics and law, in order to suit the needs of developing an open domestic economy and of opening to the outside world. It is necessary to admit more graduate students and send more students and graduate students abroad to further their study in order to train people with advanced professional skills urgently needed by our province. It is necessary to expand the decision-making power of institutions of higher learning, reform the system of admissions and job assignments, and gradually adopt the system of the state taking care of the employment of those who study at state expense, the unit taking care of the employment of those who study at the unit's expense and the student who studies at his own expense seeking a job by himself, so that the training of qualified personnel can be even better geared to the practical needs of jobs. It is necessary to greatly develop adult education, run TV universities, spare time universities, and correspondence schools well, hold self-study examinations, and encourage self-studying students to become useful persons. Schools at all levels and under all categories must seriously raise the quality of education and train more and better qualified personnel.

While speeding up the training of qualified personnel, we must pay great attention to bringing the role of qualified personnel now available into full play and continue to conduct the general survey of qualified personnel well and forecast the demand of qualified personnel. To create a good social atmosphere where knowledge and qualified personnel are held in esteem, the provincial government will commend a number of advanced education workers on this year's Teachers' Day. It is necessary to further implement the policy on intellectuals by helping them solve problems in their work and living. Last year, departments concerned in many localities made great efforts in solving intellectuals' housing problems, resettling their dependents in urban areas, and raising the salary of intellectuals working in mountain areas. This year, departments concerned in all localities must, in line with their local conditions, conscientiously perform various tasks well for the benefit of intellectuals again. It is necessary to bring the role of medical workers into full play and solve questions in developing traditional Chinese medical science. We should permit qualified personnel to circulate reasonably and create a good environment so the vast number of intellectuals can play their role even better and top-notch personnel can express their talent.

#### Strengthen Macroeconomic Management

To guarantee smooth progress in opening to the outside world and reform, we must strengthen macroscopic research and control, correctly use the means of economic readjustment, and perform forecasting and information tasks and the tasks of balance through coordination well. In addition, it is necessary to set up and improve the management system and strengthen work in the economic legal system.

1. It is necessary to establish a good relationship between consumption and accumulation of funds, and to control the scale of capital construction and heedless increase of consumer funds. In view of the tight financial situation and shortage of material resources, we have readjusted the volume of fixed asset investments, which was decided at the beginning of this year, to 2.7 billion yuan. This readjustment is mainly aimed at guaranteeing the investments in energy, communications and transportation, and key production projects, as well as investments in special economic zones, development zones, and technological transformation projects, that were arranged by the state and province. This is very important for adding to the reserve strength for developing Fujian's economy. The readjusted investment volume is still 28 percent more than that actually accomplished last year. This being the case, we have to do a lot of work in order to balance the supply of capital, material, and foreign exchange. Otherwise, the market will be under greater pressure. Therefore, the investment volume shall not be increased under any circumstances. Projects not included in the state and local government plans must be put under tight control. Those projects that will not yield good economic results or do not meet basic requirements shall not be carried out. We should control the heedless expansion of capital construction by tightening control over credit loans extended by banks. Regarding urban construction and building of other service facilities, we must be practical and act according to our strength and ability, and, at the same time, bear in mind the principle of building up our country through thrift and hard work. We must not raise funds for capital construction by compelling others to donate a fixed amount of money, nor must we do so by drawing on enterprise production funds. In carrying out urban construction projects, we must plan well, and work hard and in a planned way to solve the main difficulties encountered by the people in their daily life. We must not put on frills or do meaningless things, nor must we try to finish today work that we will only be able to do in the future.

The income and buying power of the people of Fujian Province have grown considerably in the last few years. This has produced a positive effect on speeding up production development. However, consumer funds grew extraordinarily fast at the end of last year. If this is not brought under control, it will have a direct impact on the normal order of our economic life and the steady economic growth. It will also hamper the smooth implementation of reform of the economic system. Therefore, it is basically not in the interest of the people. This year, while the economy develops, we will continue to raise the people's buying power. We will do it appropriately so that it will not surpass the growth of productivity and industrial and agricultural production. At the same time, we will take some other measures, such as encouraging savings and expanding the trial project on building housing units for sale, to enable some consumer funds to become production funds. In addition, we should continue to do family planning well in order to bring population growth under control.

2. We should pay attention to financial work, and try to achieve maximum efficiency of financing. Financial work plays a decisive role in economic activities. We should attach importance to the research for financial work, and try to master and make use of this powerful lever, in order to ensure the reasonable use and distribution of funds, and to speed up economic development. Although the amount of this year's state-approved credit loans for Fujian Province is larger than last year's, it still falls short of what we

need for production and development. Nevertheless, we should bring the volume of credit loans under strict control, as required by the state, and, at the same time, do whatever we can to support production and development. We should make proper use of credit loans according to needs and priority, and use them to support key and well-managed projects. In addition, we should vigorously attempt to withdraw currency from circulation, speed up capital turnover, and raise the efficiency of capital use.

The use and management of foreign exchange have become increasingly important in Fujian Province's financial work. All banks should exercise their financial powers, and cooperate with foreign trade, overseas Chinese affairs, fund tourism departments, in order to increase exports and foreign exchange earnings, including nontrade foreign exchange earnings. At the same time, we should strengthen foreign exchange management, budget the retained foreign exchange into established plans, and step up the coordination and supervision over the use of foreign exchange.

3. Strengthen financial work, strive hard for basically balanced revenue and expenditure. Financially speaking, this year sees new expenditure increases and a revenue decrease. Therefore, we must maintain careful calculation and strict budgeting and keep expenditures within the limits of income. We must not have budget deficits at all levels. It is necessary to keep tight control over funds and review funds not budgeted. With the exception of those paying reduced or no tax with the provincial authorities' approval, companies under all categories run by units at all levels which are not incorporated into budgetary management must pay taxes in accordance with regulations. Administrative funds must be curtailed by 10 percent according to stipulations, while enterprise management expenses must also be cut down. It is necessary to continue strengthening the management and levy to taxes and set up and improve township financial departments. After preparing for normal expenditures, financial departments at all levels must do their best to keep a certain amount of reserve funds.

4. Pay great attention to marketing research, maintain a balance of supply and demand. Reforms in prices and wages will inevitably promote the rapid development of production and make the market even more brisk. This year purchasing power in society will greatly increase. To meet consumer needs, we will increase the production of consumer goods which are marketable. We will obtain some commodity supplies not included in plans from other provinces and import, in an appropriate way, some commodities which are in great shortage on the market. In addition, we will make an inventory of warehouse stocks and obtain some commodities kept in stock in order to increase supplies for the market. State-run commercial enterprises, supply and marketing departments, and goods and materials departments must bring their role as main channels into full play and actively prepare for regulation of the market by commodity supply and keep a certain amount of goods and materials on hand in reserve. It is also necessary to correctly guide consumers and control groups' purchasing power in order to ease up the demand on the market.

It is necessary to maintain strict control over commodity prices and strictly prohibit violations of state regulations, including increasing at will the varieties of commodities whose prices are raised and expanding the margins by

which commodity prices are raised. Nor is it permitted to raise commodity prices in disguised form or charge fees at will. State-run industrial and commercial enterprises must take the lead in observing commodity price discipline, and violators must be duly punished. It is necessary to punish according to law those who resell at a profit, monopolize the market by bullying other traders, drive up commodity prices, seek exorbitant profits and violate other regulations. Departments concerned must do their respective duties and make concerted efforts to strengthen the management of the market and the control over commodity prices. They must mobilize the masses in a widespread way to examine and supervise commodity prices on a regular basis in order to safeguard consumer interests.

Fellow deputies:

To suit the needs of reform, we must actively promote the construction of socialist spiritual civilization while firmly grasping economic work as the central task. The greater progress Fujian makes in opening to the outside world and invigorating the economy, the more actively it will advocate a civilized and healthy lifestyle and a positive and progressive mentality. It is necessary to use a variety of ways to deepen education in communist ideals and morality and education in discipline and the legal system among the people throughout the province so they can become moral, educated, and disciplined and have ideals. It is necessary to publicize the present situation and policy, so that the masses can understand the excellent situation, correctly comprehend the price and wage system reform being made at present, become interested in the whole situation, have full confidence, and actively devote themselves to reform and economic construction. It is necessary to continue to launch the activities of "five stresses," "four beauties," and "three loves." The activities of urban spiritual civilizations and armymen and the people promoting material and spiritual civilization together must also be effectively carried out. It is necessary to continue to make comprehensive efforts to improve the situation of "filthiness, chaos, and poor service." It is necessary to pay full attention to the role of culture and art and encourage writers and artists to create more works in order to enrich healthy and vivid cultural life of people in cities and the countryside. It is necessary to continue to strengthen the construction of socialist democracy and the legal system in order to create a good political environment for opening to the outside world and for reform. It is necessary to continue to deal hard blows to serious criminal activities and economic crimes. In addition, it is necessary to make comprehensive efforts to improve the administrative management of public security and better education, prevention, and reform in order to reduce crimes and strive for the fundamental improvement of public order.

The work of the government for this year is relatively difficult. Governments at all levels should organize and direct work in a meticulous way, strengthen themselves, raise the level of their policy decision-making process and economic management, and pay special attention to the following points:

1. Emancipate the mind, work on a solid basis. Over the past few years, we have broken the bonds of "leftist" ideas, adopted more flexible policies, and gradually invigorated the economy in both urban and rural areas. This

initial success was not so easy. But, speaking as a whole, implementation of the open-door policy is still underway and reforms have just begun. We must make a full estimate of all kinds of difficulties we may have in the course of reform. It is necessary to encourage all of us to probe into the essence of things and not to flinch from new problems that we may face in the course of our advance. We must not exercise rigid control of everything once again on the pretext that we put emphasis on exercising macroeconomic control. We should be firm in emancipating the mind, in opening the country to the outside world, and in continuing the current reforms. While persistently seeking truth from facts and taking realities into consideration in our endeavors, we should conduct investigations and fully estimate any possible natural calamities and other difficulties so that we will not act blindly. To solve problems on a solid basis, it is necessary to be realistic and to stress work efficiency while not boasting of ourselves and not resorting to deception.

2. Firmly establish the idea of taking the overall situation into consideration, persistently subordinate the part to the whole. To revitalize the economy, we must enhance the concept of state and properly handle the relationship between the state, the collective, and the individual with regard to material interests and distribution. In assigning work to individuals, it is necessary to consider the effects of assignments on the whole situation. In adjusting acreages of food grain to be planted, we cannot demand uniformity. As for opening the country to the outside world, the open-door policy can be implemented step by step at different levels. All areas and departments must clearly understand their positions in the overall situation and take the situation in the province and that of the nation into account in the course of doing their work. We should understand the need to promote the commodity economy and the open-door situation.

3. Strengthen management, correct the new unhealthy tendencies. We should fully understand the harmful effects of the new unhealthy tendencies and resolutely correct them. To cope with these tendencies, we should adopt the method of persuasion, step up ideological education, and enforce organizational discipline. In the course of coping with this problem, we should draw clear distinctions with regard to policies, distinguish normal trading activities from power abuses for personal gains and speculation as well as embezzlement of materials in short supply, distinguish negotiated purchases and sales authorized by state policies from unauthorized price hikes, and distinguish authorized issuances of bonuses designed to promote economic efficiency from unauthorized issuances of bonus by deceptive means. This way we can hold the unhealth tendencies in check, protect the enthusiasm of the cadres and masses for reforms, encourage probing experiments, and further invigorate the provincial economy.

4. Raise the government's work efficiency, establish the fine practice of serving the people. There are problems that hinder the government from raising its work efficiency. These include ideological problems, the problem of failure in implementing policies, the problem of the low educational level of leaders, and the problem of lack of coordination between government departments. The key to success in government work is having a good leading body and relying on the people to develop a united front in an effort to arouse the enthusiasm of all sectors. Leading cadres should step up study, go to grassroots units,

absorb more knowledge, forge close ties with representatives of the people and members of the CPPCC committees as well as people from all other circles, and establish "think tanks" and "competent personnel pools" of leading cadres. They should listen to criticisms and suggestions and improve their own abilities to observe, analyze, and solve problems. Government departments are required to further define their areas of responsibility, support and cooperate with each other, and work well shoulder to shoulder. Government personnel should carry forward the spirit of wholeheartedly and tirelessly serving the people and work hard for the prosperity of the country and its people.

Fellow deputies, doing a good job in various fields of work for 1985, implementing the open-door and reform policies, and raising economic efficiency will have a direct bearing on consolidating and developing the current excellent situation, bringing about a fundamental turn for the better in the financial and economic situation, and further improving the people's well-being. The tasks we are facing are arduous, and there will be many difficulties and new problems in the course of our advance. Under the correct leadership of the CPC Central Committee and the State Council, let us strengthen military-government unity and military-civilian unity, consolidate the unity of the people of Fujian, make concerted efforts, overcome difficulties, and work hard to place Fujian among the front ranks of the four modernizations.

CSO: 4006/716

PROVINCIAL AFFAIRS

BRIEFS

HEILONGJIANG COUNTY FAIR TRADE--In the first quarter of this year, Heilongjiang Province made new progress in the county fair trade. The number of transaction places for the county fair trade reached 1,289; 395 more than in the corresponding period last year. Now there are some 100 wholesale markets and markets for professional use in the province, and their transaction volume has increased substantially. By the end of March, the transaction volume of these markets reached 283.31 million yuan, a 74.5-percent increase over the corresponding period last year. Meanwhile, the prices of eggs, live chickens, pork, and beef increased somewhat, but those of grain and oil products, including rice, millet, green beans, and soya-bean oil, declined. [Summary] [Harbin HEILONGJIANG RIBAO in Chinese 29 Apr 85 p 2]

CSO: 4006/698

## ECONOMIC DEVELOPMENT ZONES

### ECONOMISTS SUGGEST YANGTZE DELTA DEVELOPMENT

OW071116 Beijing XINHUA in English 1102 GMT 7 Jun 85

[Text] Beijing, Jun 7 (XINHUA)--Chinese economists suggest that the Yangtze River Delta area be developed into an export-oriented economic zone to earn more foreign exchange, while at the same time expanding cooperation with other parts of China.

Today's ECONOMIC DAILY quotes Tong Dalin, vice minister of the State Commission for Economic Restructuring, as saying that the cities of Suzhou, Wuxi and Changzhou in the area are China's richest and they should tie in with nearby Shanghai to develop a base of sophisticated technology around the Taihu Lake.

Foreign experts should be invited to these areas to help upgrade the traditional industries, he urges, as only by exporting more goods to earn foreign funds can these places import foreign technology and equipment.

In extensive coverage, the paper carries suggestions and opinions from noted Chinese economists on the development of the Yangtze River Delta, which includes Jiangsu, Zhejiang, Anhui and Jiangxi provinces, and Shanghai Municipality, known as the "land of rice and fish", it is the most thriving industrial and commercial area in China.

Wuxi City in Jiangsu Province, which has a strong industrial foundation, must make closer economic contacts with other parts of China and raise its own economic efficiency to cope with the shortage of natural resources, energy, and funds, according to Qian Min, member of the financial and economic committee of the Sixth National People's Congress.

The city should produce more television sets and electrical appliances, proposes Xue Muqiao, director-general of the State Council Economic Research Center.

Touching on the use of investment, Qian Weichang, president of the Shanghai Engineering University, suggests that investment be focused on urgently-needed projects which can quickly bring about economic results.

He proposes that Wuxi build four power stations, each with an annual generating capacity of 50,000 kw, to provide enough electricity for the needs of industry. These projects, he says, would pay for themselves within four years.

Other suggestions include carrying out extensive coordination among specialized departments among the seven cities in the Yangtze River Delta economic area and expanding tourism to attract foreign funds.

CSO: 4020/259

ECONOMIC PLANNING

HU PING URGES DEVELOPING FUJIAN HILLY REGION

OW110850 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 8 Jun 85

[Excerpts] During a briefing in Jianyang Prefecture on 7 June, Governor Hu Ping said: The mountain regions hold a decisive position in Fujian's economic development. If we formulate a good development plan and do a great deal of work for the mountain regions, they will be able to play a role the coastal regions cannot be expected to play in opening Fujian to the outside world.

Governor Hu Ping said that the guiding principles in developing the mountain regions should be: opening, reform, importation, and development. The mountain regions should open themselves to the coastal regions, foreign countries, and Hong Kong and Macao. Reform should be persistently carried out. Only reform can solve many new problems. As conditions permit, the mountain regions should take bigger steps in importing talented persons, capital, and technology from abroad and from other parts of China. It is necessary to promote cooperation between the mountain regions and the coastal regions and to use the strong points of both to offset each other's weaknesses. Importation is for the purpose of development. We should develop natural resources to serve the people.

Earlier, Governor Hu Ping inspected a dozen or so factories and three agricultural scientific research organizations in Nanping City and Jianou and Jianyang Counties.

CSO: 4006/701

ECONOMIC PLANNING

GANSU PARTY LEADER ON PREFECTURE'S ECONOMIC DEVELOPMENT

HK090303 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 8 Jun 85

[Excerpts] At a forum on economic work convened in Dingxi Prefecture, Provincial CPC Committee Secretary Li Ziqi demanded that the cadres and masses of the prefecture launch mass study, discussion, mobilization, and propaganda on how to speed up the pace of economic development to enable the people of the prefecture to get rich as soon as possible, and mobilize the thousands of households to make practical contributions to invigorating Dingxi's economy.

Li Ziqi said: To enable the people of poverty-stricken Dingxi Prefecture to get rich as soon as possible, we must mobilize the thousands of households to plant grass and trees in a big way, readjust the production structure in an all-round way, speed up the development of commodity economy, and vigorously develop township enterprises.

Li Ziqi said: Developing township enterprises is the point of breakthrough for invigorating the economy. The leaders of the prefecture and the counties and townships must devote great effort to grasping these enterprises.

Li Ziqi said: Dingxi is close to Lanzhou and has good communications. We must take full advantage of this favorable condition. Diffusion of production from Lanzhou and the establishment of joint undertakings should be regarded as a major measure for invigorating Dingxi's economy. The departments concerned must do a good job in coordination work and do everything possible to expand the scope of diffusing production and organizing joint undertakings.

Li Ziqi also demanded that the leaders at all levels in Dingxi Prefecture get rid of the mentality of depending on state support and cash and material assistance from higher authority, and base their work and vision on mainly relying on their own efforts, so as to make practical contributions to the prefecture's economic construction.

CSO: 4006/701

ECONOMIC PLANNING

BRIEFS

ZHENJIANG CITY'S URBAN PLAN REVIEWED--The Jiangsu Provincial People's Government gave a written reply to Zhenjiang City's overall urban plan on 27 May. The reply pointed out: As an important inland river port, a historical, cultural, and tourist city of the province, it is necessary to attach importance to construction of (Dagang) and (Gaozi) harbors, develop communication and transportation equipment, power, food and building materials industries, commerce and service trades, and at the same time strengthen science, education, and culture, protect historical sites, and develop scenic spots. The reply concurred with the urban layout of simultaneously developing the urban areas of Zhenjiang City and (Dagang) and (Gaozi) Towns. [Text] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 8 Jun 85 GW]

CSO: 4006/701

ECONOMIC MANAGEMENT

HAN PEIXIN ATTENDS MEETING ON ENTERPRISES

OW100628 Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 8 Jun 85

[Excerpts] The 5-day provincial meeting on village and township enterprises ended in Changshu City yesterday.

The meeting stressed: Village and township enterprises should be run under macroeconomic control and within the capacity of localities. The scope of capital construction must be reduced.

Information gathered at this meeting shows that the total output value of Jiangsu's village and township enterprises in 1984 accounted for 27 percent of the total provincial industrial and agricultural output value, and the taxes they handed in to the state accounted for 17.2 percent of the total provincial revenues. The rural collectives in Jiangsu turned in to the state a total of 514 million yuan. The development of village and township enterprises played an important role in invigorating our province's economy.

This meeting was called by the provincial government. Han Peixin, secretary of the Provincial CPC Committee; Chu Jiang, chairman of the Standing Committee of the Provincial People's Congress; and Ling Qihong, vice governor of Jiangsu, attended the meeting.

On behalf of the Provincial CPC Committee, Comrade Han Peixin expressed thanks and best regards to comrades who had strived to develop village and township enterprises under difficult conditions. He affirmed the important role of these enterprises and called for orderly and stable development of these enterprises under macroeconomic control.

More than 260 people attended the meeting, including vice city mayors and deputy county heads in charge of village and township enterprises and leading comrades of provincial, city, and county departments concerned.

CSO: 4006/701

ECONOMIC MANAGEMENT

DALIAN, SHENYANG APPLY ECONOMIC INTEGRATION

HK210725 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 85 pp 24-25

[Investigation Report on Development of Horizontal Economic Integration in Shenyang and Dalian Municipalities by the Investigation Group of the Policy Research Office of Liaoning Provincial CPC Committee: "Development of Horizontal Economic Integration Is the Only Way to Invigorate Enterprises"--edited by Liu Qichang [0491 0366 2490]]

[Text] In the reform of the economic structure, Shenyang and Dalian Municipalities paid attention to bringing into play the radiating power and attraction of key cities, broke down barriers, followed an open door policy, actively developed flexible cooperation, integration and coordination between the state, the collective, and the individual sectors in accordance with the principles of promoting favorable factors and eliminating unfavorable ones, adopting diversified forms, and striving for mutual benefit and common development under the guidance of state policies and plans, and achieved satisfactory economic results. At present, there are 23 economic combines in Shenyang and 21 in Dalian. In Shenyang, over 160 enterprises have established relations of economic and technical cooperation with some 1,500 rural township enterprises. Their output value amounts to nearly 400 million yuan, or 40 percent of the total industrial output value of rural township enterprises in the whole municipality. Their main experience was:

1. It is necessary to develop horizontal economic integration. In particular, it is necessary to organically integrate urban and rural enterprises so that urban enterprises can bring along their rural counterparts and rural enterprises can promote their urban counterparts and the two can develop together. For example, the Dalian Cold Storage Plant, Dalian Diesel Engine Plant, Shenyang Air Compressor Plant, and 24 other units have 10-50 percent of their parts and products consigned to other units, thus increasing their productive capacity and output value by 20-50 percent. The productive capacity and benefits of the coordinating plants have also doubled. From this we can see that for every 10 percent of output value consigned, the principal plant will be able to achieve a 20 percent increase in output value at the same time. This is the so-called "external consignment by 10 percent internal growth by 20 percent"

production growth relationship. This is a heartening figure. We believe that the key to achieving this goal lies in correcting our guiding ideology, doing away with the outmoded tradition of product economy management, and establishing the concept of developing the commodity economy. Some of the forerunners of reorganization and integration in these two municipalities have boldly embarked on the road of integration and coordination because they realized that developing horizontal economic integration was the only way to invigorate the economy and achieve prosperity and that the beaten track of "big and complete" and "small but complete" would lead them nowhere. In the course of integration, they witnessed how integration produced speed, beneficial results, and vitality. They freed their minds of apprehensions about integrating with rural towns'ip enterprises, such as uncertainty about product quality, unpunctual delivery, and high prices, and strengthened their confidence in integrating to meet competition and developing through integration. Their experience is of universal significance.

2. Organizing production according to the principles of economic rationality and coordination among specialized departments is the direction for developing economic combines. In integrating production units, Shenyang and Dalian have gradually made the transition to specialization on the basis of voluntary participation and acquired new and great ability to meet contingencies. Adhering to the requirement of similar technology, structure, and principle, each of the participating units have given full play to its strong points in terms of technology, equipment, and specialization. Through consignment of parts or accessories to their coordinating plants, the principal plants of these combines have gradually replaced the "big and complete" or "small but complete" all-purpose plants that had developed through the years. At the same time, the ideal productive capacity of the coordinating plants is used. In line with the product mix of the principal plant, parts of similar kinds and involving similar technology are processed in one and the same plant. With the development of "small but expert" specialized production, coordinating plants have become the "extensions" of principal plants where mass production is carried out. Thus, the advantages of specialized production and multi-variety production, which have great adaptability and flexibility, just as "a small boat can make a U-turn more quickly," are brought into full play.

.. Only when the principles of voluntary participation and meeting mutual needs are adhered to can "unbreakable" combines be formed. There must be internal incentives before integration between enterprises can take place. In organizing reorganizations and mergers, the two municipalities have paid great attention to voluntary integration with integration moving from lower to higher levels, and have avoided "arbitrary match-making." At the same time, the principle of "keeping three things unchanged" is adhered to. This means that ownership of various member enterprises of the economic combines, the jurisdiction relations, and the channels for handing over taxes and profits should be kept unchanged. Efforts are also made to keep relations stable by means of economic agreements or contracts. Take the combine formed by the Dalian Diesel Engine Plant

and 33 other factories for example. Its board of directors is in a power organ that makes policy decisions regarding production and coordination. Members of the board of directors are elected by member factories of the combine. All economic activities and economic relations have to be guaranteed by means of agreements or contracts signed by member factories. The principal plant manages the expansion program and new product development of the combine by means of agreements or contracts and gradually develops a group scientific research center, testing center, training center and sales services center. It takes the place of an administrative company and truly becomes the "head" of that trade.

4. It is necessary to correctly handle distribution of material interests within the combine, and uphold the principle of mutual benefit and exchange at equal value. This is the key to consolidating and developing the combine. In the process of integration, some of the better run enterprises have all along paid attention to the following points: First, in selecting partners, it is necessary to pay attention to economic rationality, stress willingness of both parties, go through thick and thin together and be reconciled to play a supporting role. Second, it is necessary to correctly formulate an internal price scale, refrain from bullying the weak and demanding high prices, and adhere to the policy of fixing prices through consultation on an equal footing. The principal plant may be given a preferential 20 percent increase in hourly rate if it cannot reduce the cost of newly-developed parts for the time being. Coordinating plants that are in a position to reduce cost due to a high degree of specialization may correspondingly yield some of their profits to the principal plant in the light of actual conditions. In order to encourage member factories to cultivate a sense of belonging to the combine and to dedicate themselves for the benefit of the combine, a preferential internal price scale is introduced. Third, both parties must abide by the contract, act in good faith, and ensure timely delivery. Fourth, it is necessary to support each other on matters of manpower, financial and material resources, production, supply and marketing, and compensate the other party for the use of their resources and facilities. In economic terms they are equal and mutually beneficial and there are no distinctions between large and small units and between high and low levels. The coordinating plants must not "feed off" the principal plant, but neither should the principal plant save the meaty portion for itself and leave the coordinating plants with "leftovers" and "bones."

5. It is necessary to persist in improving the quality of products and make a concerted effort to enhance the prestige of products. This is the way to consolidate and develop the vitality of the combines. Their experience shows that members of the combine must regard the quality of their products as their very life and must ensure good quality no matter what the circumstances and difficulties are. It also shows that they must regard the quality of their products as the question of first importance for the survival and development of the combine and take positive and effective measures in this regard. The main points of their approach are: First, exercise all-round quality control with unified

standards and unified measurement. The principal plant has overall control over the whole operation. Second, exercise quality control by "going out" to give on-the-job instructions and "inviting people in" to pass on their skills. Third, set up an "external coordination product inspection center" with the principal plant dispatching quality control and inspection personnel to various coordinating plants. There they will examine and accept products one by one in accordance with the drawings and technical specifications. There is to be no compromise on the question of quality.

6. It is necessary to implement the policy of supporting attempts at improvement, encouraging competition, and ensuring the development of units that perform well. This is an effective measure for promoting the consolidation and development of the combines. In the course of integration, the Dalian Diesel Engine Plant actively supported its coordinating plants in their efforts to improve their levels of production technique and management. The best-run key plants were given help in technical transformation so that they could quickly develop their productive capacity in line with that of the principal plant. The method of "five helps" was adopted. This means helping to replenish the technical backbone force, solve technical problems, solve problems relating to resources, solve the problem of the purchase of equipment and raise the management level. They realized that only when the principal plant is far-sighted enough and is willing to invest can the combine quickly expand its productive capacity. The combine allows its member factories to choose suitable partners and to withdraw at any time provided that prior notice was served in accordance with the agreement.

7. In developing horizontal economic integration, particularly integration between urban and rural areas, it is necessary to make use of economic levers and offer preferential treatment to attract interested parties. In this connection, Shenyang and Dalian have adopted, or are adopting, the following measures: First, paying attention to avoiding double tax of intermediate products produced by integrated and coordinating plants. Second, profits and earnings from the consignment of parts and products to rural township industries, and from technological transfers, the provision of technical services, software and so on, are exempted from income tax and may be disposed of as these enterprises see fit if the amount is below 100,000 yuan. If the amount exceeds 100,000 yuan, money may be drawn from pre-tax profits to repay loans and 50 percent of the after-tax profits may be retained for use as bonus or welfare funds. Third, putting emphasis on marketable items, quality and brand-name products and products in "short supply" when consigning products to rural township enterprises. Products that may cause environmental pollution are to be improved before being consigned and discounted loans are to be granted for the control of environmental pollution. Fourth, joint equity rural township enterprises may enjoy various preferential treatment offered to other rural township enterprises. Fifth, profits derived by rural township enterprise from the joint exploitation of energy, the

development of transport facilities, and the intensive processing of farm and sideline products, and profits derived by existing rural township enterprises from technical transformation may be divided up before payment of tax and disposed of as these enterprises see fit. Sixth, the earnings derived by integrated and coordinating bodies that assist rural township enterprises in turning out quality and brand-name products and that have reached our country's advanced technical level may be exempted from income tax and disposed of as these units see fit.

CSO: 4006/707

ECONOMIC MANAGEMENT

OPINIONS GIVEN ON ECONOMIC STRUCTURAL REFORM

OW080221 Shanghai City Service in Mandarin 0100 GMT 5 Jun 85

[Excerpts] The Shanghai Municipal People's Government held a meeting for the responsible persons concerned of the various committees, offices, and district and county bureaus on the afternoon of 4 June. The meeting made arrangements for advancing Shanghai's economic structural reform.

At the meeting, Vice Mayor Zhu Zhongbao relayed "Some Opinions on the Current Reform of the Enterprises' Economic System" presented by the Municipal Economic Restructuring Leading Group Office and six other units, which has been approved by the municipal government. The opinions called for steadfastly and carefully implementing the various reform measures in accordance with unified arrangements, and for preventing and rectifying new unhealthy tendencies in order to ensure the smooth progress of Shanghai's reform of the economic structure. The opinions pointed out: In stopping and rectifying unhealthy tendencies, the legal business activities and the rational economic activities which can revitalize the enterprises and the economy must be supported and encouraged.

The opinions also pointed out that some activities must be resolutely stopped and rectified, and in serious cases, punishments must be meted out according to the law; for instance, practicing fraud, tax evasion, indiscriminate collection of unauthorized charges and fees under various pretexts, turning state revenue into profits of enterprises, speculative sales of important means of production and commodities in short supply, and unauthorized price hikes.

The opinions approved by the municipal government called for focusing on enhancing the vitality of enterprises in further advancing Shanghai's reform of the economic structure in 1985. Efforts must be made to implement the eight measures, which include continuing to simplify administration and delegate power downwards; popularizing the plant director responsibility system; gradually expanding the scope of floating wages along with improvement in economic efficiency; expanding popularization of awards for conservation in raw materials; selecting some industrial enterprises for the reform of the planning system; exploring ways to expand the enterprises' autonomous power with regard to supply, production, and marketing; and continuing to explore ways to reform the industrial management system.

At yesterday's meeting, Vice Mayor Zhu Zhongbao said: Our determination for reform must not change. We must make a specific analysis of the problems that have emerged in the course of reform, and take a positive attitude for their resolution. We must also pay attention to safeguarding the enthusiasm of the broad masses of cadres and workers in reform. Thus, reform in Shanghai must be full of bright prospects.

CSO: 4006/701

ECONOMIC MANAGEMENT

GANSU LEADER ON ECONOMIC DEVELOPMENT IN PINGLIANG, QINGYANG

HK050221 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 4 Jun 85

[Excerpts] When inspecting economic development in Pingliang and Qingyang Prefectures at the end of May, Vice Governor Hou Zongbin pointed out that eastern Gansu should focus its economic development on opening the gates wide, exploiting resources, and enriching the people. It is necessary to develop township enterprises and urban collective economy, follow the path of exploiting resources, and lead forward the development of agriculture, sideline occupations, and tertiary industry.

Vice Governor Hou Zongbin put forward his suggestions in view of the weak economic foundation, single-product economy, and irrational production structure in eastern Gansu. He said: Eastern Gansu should concentrate on grasping two aspects in developing commodity economy and promoting diversification:

1. It is necessary to readjust the cropping structure. While not relaxing grain production and continuing to build small commodity grain bases, it is necessary to get a good grasp of industrial crops and expand their sown area.
2. Plant grass and trees and vigorously develop animal husbandry.

On developing township enterprises and urban collective economy, Hou Zongbin stressed: The economy of eastern Gansu, especially township enterprises and urban collective economy, is weak, and no interdependent economic network has been formed there. There are still problems in capital, in materials, and in identifying economic projects.

Hou Zongbin also pointed out: Eastern Gansu has its strong points. There are favorable conditions for developing diversification, township enterprises, and urban collective economy. The area must do a good job in exploiting resources, technology, products, and brain-power, and adopt open-door policies to reach the goal of getting rich.

CSO: 4006/701

ECONOMIC MANAGEMENT

XINJIANG MEETING DISCUSSES ECONOMIC WORK

HK090359 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 8 Jun 85

[Excerpts] A 5-day regional economic work conference concluded in Urumqi this afternoon. The meeting called on the staff and workers in industry, communications, finance, and trade to overcome difficulties, clear the way to forge ahead, and strive to fulfill and overfulfill this year's production tasks, scoring outstanding achievements as an offering to the 30th anniversary of the founding of the autonomous region.

In the first 5 months of this year the region recorded a big increase in industrial production. There was coordinated development of light and heavy industry, the urban and rural markets prospered, and there were further improvements in economic results.

While fully affirming these achievements, the meeting pointed out in a truth-seeking way the main problems currently existing on the region's industry and communications and finance and trade fronts. These are: The enterprises lack vigor, are weak in adapting, and have not done well in tapping potentials. The shortages in electric power and material supplies have caused certain difficulties in production.

To ensure the fulfillment of this year's production tasks, the meeting stressed that the departments concerned must take effective measures to seriously implement the policies laid down by the state and the region, tangibly solve the problem of lack of vigor in the enterprises, and ensure that the lower levels wait no more and that the upper levels give the green light. The enterprises must carry out consolidation in the spirit of reform. Under the premise of improving economic results and quality, they must ensure that they meet the required progress rate and fulfill and overfulfill the production tasks each month. Enterprises whose products do not sell well should step up market research and readjust their product mix. Enterprises short of raw materials should tap potentials, practice cooperation, import, and exchange materials under the premise of increasing production and practicing economy. Enterprises that are about to go into production must do a good job in all preparatory work, and strive to get into production soon. Enterprises where production is in an abnormal state must step up control work and organize forces to ensure that it is normal.

Qi Guo, secretary of the Regional CPC Committee, and Zhang Sixue, member of the Standing Committee of the Regional CPC Committee, spoke during the meeting. Song Hanliang, vice chairman of the regional government, presided at the meeting today and made a speech.

ECONOMIC MANAGEMENT

PRC JOURNAL ON ROLE OF COMMERCIAL INFORMATION

HK180200 Beijing JINGJI GUANLI in Chinese No 4, 5 Apr 85 pp 32-34

[Article by Feng Hanyin [7458 5060 0936]: "We Should Stress and Enhance the Role of Commercial Information in Economic Construction" -- edited by Ding Jia Tiao [0002 1367 4383]

[Text] In our nation's new situation, where we are opening to the outside world and invigorating the domestic economy, more and more people are recognizing the importance of commercial information.

I. The Function of Commercial Information.

Commercial information has three characteristics: 1) It is highly sensitive. Commerce comes in contact with consumers through the exchange of commodities and the supply of labor service. Thus, it reflects, in a highly sensitive way, market supply and demand. 2) There are wide avenues for obtaining it. For many years, people have described commerce as a "telescope" and an "ear to the future". The reason commerce has these abilities is that it has wide connections and the avenues for obtaining information are wide. Take the Tianjin General Merchandise Purchasing and Supply Station as an example. Its sales network extends over 29 provinces and cities in the nation and comprises over 350 enterprises. On the one hand it gains market information through its business activities and on the other hand it has used its fixed sales relationships to establish 90 information channels of different sorts. Through 13 provincial corporations and 31 second-level wholesale stations, it understands the situation in major sales areas and, through 15 third-level wholesale stations, it understands the trends in basic level wholesaling. Through the major markets in 15 provincial seats, it understands the changes in consumer demand, and through the 15 industrial corporations with which it has purchasing relationships, it understands the production situation. Wide-ranging relationships like this create conditions for compiling information from various sides. 3) It provides a comprehensive mirror. The operations of commercial departments are, in general, comprehensive in nature. For example, the Tianjin Department Store handles 20,000 types of commodities, which are purchased through 900 channels. This means that it is able to comprehensively reflect the supply and demand situation for various types of commodities, to compare values and costs of commodities from different areas and different enter-

prises, tactics of competition, and so on. Having both local information and information from around the nation allows comprehensive analyses and comparisons to be made. The characteristics of commercial information noted above determine that it has an important role to play in promoting the development of the national economy and making the market prosper. Its most important roles are:

1. Commercial information is the pivot which links production and consumption. The centralized nature of consumption and the decentralized nature of consumption, the relative stability of production and the changeability of consumption frequently results in contradictions occurring between production and consumption. Only when there is continued balance achieved between production and consumption will it be possible to guarantee the fine cycle of production. However, encouraging production and consumption to continually move toward balance from imbalance, cannot be separated from the role of economic information. Through exchange, the information that production and consumption accord is first transmitted to commerce. Through the collection, digestion, and feedback of information by commerce, an endless cyclical pattern will be formed. On the one hand this will promote production, which accords with consumption, and on the other hand, it will stimulate consumption which gives rise to new demands. The role of commercial information as a pivot linking production and consumption is determined by the function of commerce. This role cannot be taken over by information supplied by any other department. Thus mastering, depending, and using commercial information in a timely way is an essential measure for resolving well the contradictions between production and consumption, for promoting the continued meeting of consumer demand by production and for achieving a fine production cycle.
2. Economic information is the basis for making good operational decisions. Operational decision-making in a modern enterprise is the heart of the enterprise's operational management. The correctness of decisions determines the fate of the enterprise. The formulation of operational decisions must be based on market information. In discovering the source of problems it is necessary to depend on information, in selecting targets it is necessary to depend on information, and in selecting business measures it is necessary to depend on information. Also, in determining whether targets and measures are correct, we must depend on information feedback to test them. Practice has proven that, if we divorce ourselves from information, it is possible that decisions will be wrong. A continuous stream of incoming information will be able to stimulate and induce creative thoughts by the leaders of enterprises, and this will cause the enterprises' operations to be full of vitality.
3. Commercial information increases the sources from which an enterprise can draw when meeting emergencies. The external environment of enterprises is constantly changing. Only by appropriately adjusting the internal conditions of enterprises so that they accord with the external changes will the enterprise be able to achieve development through competition. However, if

we wish to suit the enterprises to changes in the external environment, it is first necessary to understand these changes. To understand the changes in order to meet them, information plays an intermediary role. Only when there is a continuous, correct, and timely mastery of commercial information will it be possible for the enterprise to use its ability to meet contingencies throughout the whole process of understanding changes and meeting changes.

## II. The Present Situation and the Problems in Information Work in Tianjin Municipality

Tianjin Municipality's commercial information work started with the formation of the commercial port and has grown over the years. In the early period after liberation, controlling prices was a major measure for market stabilization. However, following the establishment of the system of commercial allocation and the formation of closed markets, information was gradually disregarded and the commercial system's market investigation and research organs were nearly all abolished.

After the 3d Plenary Session of the 11th CPC Central Committee, following the reform of the economic structure, the domestic market gradually became prosperous. This prompted people to start engaging in market information work. About 1980, the Tianjin Municipality commercial departments (that is, the first commercial department, the second commercial department, and the supply and marketing cooperatives) successively established organs concerned with market conditions. Through 4 years of effort, they have begun to take on a reasonable scale. In the first half of 1984, there were already 764 persons engaged solely or partly in information work. Also there were 1,102 information networks and 32 publications concerned with information. Over 10,000 items of information were gathered and over 500 issues containing this market information were published. Also, initial steps were taken in forming an information system with three structures. Structures based on the administrative system have been established. For example, the Municipal General Merchandise Company has established an information network based on its 8 wholesale departments, 8 regional companies, 18 medium-sized commercial stores, and 10 specialized shops, and including 4 suburbs and 5 counties. Structures based on specialized operations have also been established. Various businesses are encouraged to exchange information with the 70 large and medium-sized department stores around the country. Structures based on commodity blocs have been established. For example, throughout the country we have established specialized information networks in regard to sports equipment, musical instruments, education equipment, office equipment, photographic materials, watches and so on. All these efforts have established a firm base for carrying out information work.

Although the Tianjin Municipality commercial information system has been set up, it is still far from meeting the demands made on it by producers and consumers. Several problems obstructing the further development of information work are as follows:

1. The results in using information are poor. The real effectiveness of information lies in its use. If you have information but cannot use it it is not worth anything. Consulting information before buying or selling has become the norm in economic management. However, the leaders in some enterprises, having worked for a long period in an operational environment of allocation systems, closed-style unified purchasing and marketing, and monopolies, have become used to just obeying orders from above and of making decisions based on what was done in the past. Thus, they have insufficient understanding of the historic changes taking place in the commercial system as it shifts from an allocation system to an "operational system", and have not made sufficient preparations. Thus, they are slow in reacting to information and are unfamiliar with applying it. This is a major reason why information work has not taken its rightful place and has lacked strong support and guidance, and why the role of information has far from being fully brought into play.

2. Information work methods are extremely backward. The new situation of rapid development of production and operations requires that information work be carried out ahead of all projects. This demands a highly efficient information system which can process, select, arrange and store information. At present, there is no source of funds for investment in information work and there is a lack of trained personnel. Also, if we rely solely on people to process the information, such information will not be selected and used in a timely way and much valuable information will be lost in the transmission process. In addition, at present, the phenomena of "poor circulation" and "bad digestion" exist widely in our imperfect information system.

3. Information work lacks a wide mass nature. Much commercial information is contained in normal daily business activities. Thus, obtaining information and follow-up investigation has a wide mass nature. We cannot rely only on a small number of specialized staff in collecting information. Of the current information staff in the Tianjin Municipality information system, over 90 percent have other jobs as well. They are information scouts who play an active role in all posts. Organizing these forces well and motivating their enthusiasm so that they are continually enriched both in terms of quantity and quality, is a guarantee for obtaining correct, timely information and for further developing information sources. How we are to more widely rely on the cadres and masses in the first line of business, in doing well in commercial information work, is a problem awaiting further study.

4. The problem of compensated transfer of information has not been resolved. As information is an important factor in production, it has both value and use value, and can often be used to resurrect an enterprise. However, at present, the supply of information is uncompensated. The "value of information" cannot be realized. Thus, many comrades believe that also having to engage in information work is an added burden. The uncompensated supply and transfer of information provides obstacles in the "sharing", "transmission", and "diffusion" of information.

5. The information system is not complete. Information is different from other production factors. It is not of a consumption nature but of a discovery nature. It can be expanded, reduced, transmitted, and shared. Bringing into play these characteristics depends on the quality of the system. Looking at the present situation in Tianjin, we see that there are information networks but they are generally relaxed, and there is information material, but this is generally disorganized. This, then, objectively breaks up and obstructs market information. If we are to plan, in a unified way, the information work for the country's financial, domestic and foreign trade, industry, and communications departments, and organize the flow of information so that it reaches the right units, it will be necessary to establish a regular work system. The establishment and improvement of this system will be of benefit at the macroeconomic level by supplying timely information to assist in major economic decision-making. It will also be of major benefit on the microeconomic level in invigorating production and operations.

### III. Proposals for Improving Information Work

In order to strengthen information work and build an information system which is integrated with the situation in Tianjin, the following five proposals are made:

1. Raise the understanding of leaders at various levels in regard to the importance of information work. In the great development of specialized production, the division of work is also becoming more specialized. In the situation where we are separating government and enterprise functions, and bringing into play the role of market mechanism, the carrying out of overall guidance of the economy will increasingly rely on information. This requires that people abandon their outdated operational ideas and create new ones, and that they establish an operational ideology which has the market as the center. In this situation of change, leading cadres will have to study modern operational management, swiftly and conscientiously study how to use information in guiding operations, and in guiding scientific methods of production, base their decision-making on correct information and scientific forecasting.

2. Throughout the city establish an effective information system which has three levels and build a modern information center which has at its heart a data bank and which has the ability to swiftly reflect economic trends. This will serve all industries and all enterprises in the city. The construction of the Tianjin information network can be divided into three levels. The first level can be the information center which will serve the whole city. Its tasks will be: 1) comprehensive analysis of economic intelligence from the city and from around the country, and the publication at fixed intervals of information materials, so as to serve important decision-making in the city and to guide the production, research, and operations of basic-level enterprises; 2) to organize a unified information network and information transfer methods through the city; 3) to guide and

coordinate the information work of the various subsystems, to bring into play the benefits of information and to avoid duplication of work; 4) to establish a central data bank in the city in order to centralize the storage and accessing of the city's economic data and to strengthen the centralized management of information. The second level will be various information subsystems for industry, science and technology, domestic and foreign trade, banking, commercial management, communications and transport, and so on. These will be responsible for coordinating and organizing the information work in their respective fields. In the establishment of subsystems, both the unified city-wide system and the characteristics of the subsystem should be considered. The third level will be enterprise information systems which will generally serve a single enterprise. On the one hand they will take the information they need from the information center and on the other hand, on the basis of unified requests, will supply information about their enterprise to the information center.

The information center must be fitted out with advanced equipment. An automatic system for handling information using a computer as its center must be established. Also, the linking of the major information sources into a network using microprocessors so as to resolve the large number of problems in processing, handling, storing, and accessing information will improve the results in using information.

3. Develop various types of consultancy services. The handling and sale of economic information has, in other countries, already become an independent industry. We should greatly develop specialized organs which provide consultancy services in terms of readjustments and research, or attach consultancy services to state-owned industries so as to gradually achieve compensated transfer of information.

4. Pay attention to the training and development of skilled personnel. The study of information has developed as a new discipline over the last few years. Thus, we should pay attention to finding and training theoretical workers in the study of information and experts in the application of information. In universities and colleges, we must set up information studies departments and relevant courses.

5. Do well in the operation of a commercial information center. As commercial information has a high degree of sensitivity, broad sources, and is strong in comprehensively reflecting the situation, in the building of a city-wide information center it is possible to organize a commercial information center first, and then form networks and expand it so as to gradually form a city-wide information center.

In the setting up of the commercial information centers, we should achieve five types of links: 1) Links with trade centers. A trade center is the center of commodity competition for a certain area. It is the barometer of commodity supply and demand and a collective observation and forecasting station. There is a natural relationship between commercial information

centers and trade centers. The trade centers' production supplies the information center with a direct and wide-ranging information source. At the same time, services provided by the information center supplies a dependable base on which the trade center can develop its scope of operations and do well in operational decision-making. 2) Links with industry. If all the specialized commercial centers link up well with the relevant industries, specialized companies, and production factories and regularly exchange information on production and sales trends, this will be beneficial to achieving a tighter bond between production and sales. 3) Links with enterprises of the same trade throughout the country and within the special economic zones. Specialized information networks for enterprises of the same trade can constantly be in touch with supply and demand trends for various specialized commodities and can supply, in a timely way, the most direct, dependable, and valuable information. 4) Links with various key cities. This has significance in the linking up of information about markets around the country, in the forecasting of market trends around the country, and in bringing into play the role of key cities in organizing the economy. 5) Links with joint operations and joint marketing units.

CSO: 4006/697

ECONOMIC MANAGEMENT

BRIEFS

GUANGZHOU EXPRESS POSTAL COMPANY ESTABLISHED--Guangzhou, 8 Jun (XINHUA)--An express postal company was set up here today, said a Guangzhou City Post and Telecommunications Bureau official. It will serve 21 Chinese cities and 22 other countries as well as Hong Kong and Macao. Mail can be sent to Hong Kong and Macao the same day and to the foreign countries, in two or three days. Its domestic mail arrives next day. The corporation will start letter facsimile services to Hong Kong and Macao next month, the official said.  
[Text] [Beijing XINHUA in English 1820 GMT 8 Jun 85 OW]

CSO: 4006/701

FINANCE AND BANKING

GUANGZHOU EXCEEDS TARGET FOR REDUCING CURRENCY IN CIRCULATION

HK200339 Beijing ZHONGGUO XINWEN SHE in Chinese 0803 GMT 19 Jun 85

[Text] Guangzhou, 19 Jun (ZHONGGUO XINWEN SHE)--From January to May this year, Guangzhou City withdrew a net amount of 618 million yuan from circulation. This was 110 percent more than the figure of the same period last year and also exceeded the target for the whole year of 1985.

The quick withdrawal of currency from circulation in Guangzhou in the first 5 months was attributed to the following reasons:

--The markets were continuously brisk. Commodity sales continued to increase. The commercial departments changed some of their administrative institutions into specialized business companies, thus reducing some circulation links. Moreover, a variety of new outlets were set up to promote the marketing of goods, and such measures as jointly marketing some specific products, selling goods on a commission basis, and weekend sales were adopted to promote retail business. Many seasonal goods went on the market earlier in the summer and winter goods remained available on the market when the weather became warm. The total volume of retail sales in the first 5 months increased by 45 percent over the same period of last year.

--The volume of savings deposits increased substantially, and large amounts of credit funds were retrieved. In the first 5 months of this year, the volume of savings deposits increased by 80.7 percent over the same period last year. In particular, the savings deposits of peasants increased by 180 percent.

--Earnings of various service trades increased sharply. Some hotels changed the previous practice of accepting only "foreign exchange certificate" payments in their shops and restaurants and they set up many special counters which sell goods on a renminbi basis. This greatly increased sales through transactions based on renminbi. For example, the China Hotel now makes an average daily sales income of some 40,000 yuan in cash, with sales sometimes reaching as high as 70,000 yuan a day.

CSO: 4006/707

FINANCE AND BANKING

PRICING BY QUALITY DISCUSSED

Chengdu CAIJING KEXUE [FINANCIAL AND ECONOMIC SCIENCES] in Chinese No 1,  
30 Jan 85 pp 28-29, 12

[Article by Luo Xianggu [5012 6272 6253]: "The Case for Pricing by Quality on  
the Basis of Pricing by Value"]

[Text] To speed up modernization, every aspect of national life is being reformed. We have now reached the stage at which price reform is absolutely necessary if other reforms are to proceed smoothly. Currently commodity prices are too high in some cases and too low in others. Some prices have risen sky high while others require government financial subsidy. In short, our pricing system is chaotic, wildly deviates from value and does not reflect the supply-and-demand relationship, militating against the development of production and the improvement of economic results.

Chaos in the pricing system can be attributed to historical and practical reasons and among them theoretical confusion cannot but be a basic factor. This article explores the theoretical aspects of the problem.

Some comrades believe that it takes more labor to produce a good commodity than an inferior one; in other words, there is a direct proportionate relationship between the quality of a product and its labor consumption.

Does commodity quality really vary in direct proportion to its value magnitude? Daily life gives us conflicting answers. Under certain conditions (when technical standard and labor productivity are low, for instance), the production of a good commodity does require more labor, and, therefore, command a higher price than one with the same use value but of an inferior quality. However, if we adopt modern science and technology and increase labor productivity, we can reduce labor consumption even while we upgrade the quality of the commodity. The result is a good product with a low price.

Thus Marx said, "At a certain stage in technological development, a low-performance machine may be very expensive. Yet at another stage, a high-performance machine may be very inexpensive."<sup>1</sup>

This shows that not all commodities can be priced in accordance with quality.

Generally speaking, a commodity can be priced only with reference to its value. Marx said, "In general, the greater the productiveness of labor, the less is the labor-time required for the production of an article, the less is the amount of labor crystallized in that article, and the less is its value; and vice versa, the less the productiveness of labor, the greater is the labor-time required for the production of an article, and the greater is its value. The value of a commodity, therefore, varies directly as the quantity, and inversely as the productiveness, of the labor incorporated in it."<sup>2</sup>

The following Marxist commodity theories are additional proof that in most cases the price of a commodity depends on its value.

1. The quality (use-value) of a commodity and its value represent two different relationships. Use-value represents the relationship between man and an article and indicates whether or not the article satisfies his needs. An article which satisfies a certain human need becomes a commodity, whereas the thing which fails to perform such a function absolutely cannot be a commodity. Value, on the other hand, expresses a relationship between man and man. What it denotes is the way in which commodity producers exchange their labor through the exchange of commodities. Thus Marx said, "We have seen that when commodities are exchanged, their exchange value manifests itself as something totally independent of their use-value."<sup>3</sup> It follows that we can neither use value to measure use-value, nor vice versa.
2. Marx also pointed out that the use-value of an article is its usability and is inherent in a commodity. He said, "A commodity, such as iron, corn, or a diamond, is therefore, so far as it is a material thing, a use-value, something useful. This property of a commodity is independent of the amount of labor required to appropriate its useful qualities."<sup>4</sup> Take diamond, for instance. Its use-value is its natural hardness and sparkle, with which it is naturally endowed. Nowadays when people buy a diamond, they are not paying for its use-value, but for the labor which has made possible the use-value. This is also true for other commodities. Hence the use-value of diamond has remained unchanged for several years. When and if the productivity in diamond mining changes, so will the value of diamond. Marx said, "With richer mines, the same quantity of labor would embody itself in more diamonds and their value would fall. If we could succeed at a small expenditure of labor, in converting carbon into diamonds, their value might fall below that of bricks."<sup>5</sup> Today the use-value of diamond has increased since the hardest of metals can be made into machine tools. For instance, it can be used to reinforce the geological drill to penetrate rock formations. So, will the value of diamond go up? Marx's reply is, "The exchange value of a commodity, hence the exchange value of the means of production, will not increase at all just because a more effective use has been found for it."<sup>6</sup> The logic is crystal clear: the use-value of a commodity may expand, or the commodity may be more efficiently used, but the value of a commodity will not change as long as the amount of labor required for obtaining its use-value remains unchanged. The value of a commodity does not rise as a result of more utilization of its use value.

That is why we say that the value of a commodity is determined by the labor consumed in the production of its use-value, not by the use-value itself. This is pricing based on value, an objective principle independent of human whims.

In the social context, commodity production is an extremely complex process. Discussing this process in a highly condensed way in which he considered the entire society a commodity production entity, Marx said, "The total labor-power of society, which is embodied in the sum total of the values of all commodities produced by that society, counts here as one homogeneous mass of human labor-power, composed though it be of innumerable individual units."<sup>7</sup>

Let's move from the abstract to the concrete and shift our focus from society as a whole to individual production departments. As Marx said in a letter to Lu Ku Ge Man, "To obtain different products in quantities that match different requirements, we must put in general social amounts of labor of various kinds."<sup>8</sup> If the amount of commodity turned out by a production department exactly satisfies the social demand for it, then the sum total of the individual labor-time of that department constitutes the socially necessary labor-time of all its commodities and the sum of the value of its products becomes the overall value of all its production. It follows that the value of its individual commodity equals its total value divided by total production. This is pricing by value for an individual commodity. A commodity with its certain value is called an "average specimen" for that particular kind of commodity. This Marxist idea is sometimes expressed differently. Marx wrote in Vol I, page 196 of "Das Kapital," "The value of every commodity is determined by the labor-time required for ensuring the standard quality of the commodity." Whether it is "average specimen" or "standard quality," they all mean one thing, that is, when the use-value of a single commodity varies with social demand, we can use the "average specimen" to calculate its average value or fix a standard quality. This facilitates pricing by quality on the basis of pricing by value since we can compare the quality of two products of the same kind. For example, we determine the average life of a light bulb and calculate the weight of coal in terms of standard coal on the basis that each ton of standard coal contains a caloric value of 7,000 kcal.

Let's assume that we set the price of an electric bulb at 0.5 yuan, based on its value. This particular light bulb is an average specimen. Let's further assume that the average life of the average specimen is 1,000 hours. It follows that another light bulb with an average life of only 500 hours will cost 0.25 yuan and that a third light bulb with an average life of 2,000 hours will cost one yuan. What we are doing here is pricing by quality on the basis of pricing by value. If labor-time necessary for the production of a light bulb is cut by half because of a rise in productivity, and if there is no change in the total number of light bulbs produced, then total value will also drop by half and the prices of the 1,000-hour, 500-hour and 2,000-hour bulbs will be 0.25, 0.125 and 0.5 yuan respectively. We can thus conclude that pricing by quality on the basis of pricing by value enables the buyer to obtain the use-value corresponding to what he pays for. It achieves pricing by value and conforms to both the law of value and the Marxist theory of labor value.

Let's look at another example, coal. We use coal primarily as a fuel and buy it for its thermal energy. But different kinds of coal may have vastly different caloric values. So the world has come up with the idea of standard coal and set its caloric value at 7,000 kcal. Standard coal is also used in the calculation of value. For instance, if we set the price of a ton of coal of standard quality at 50 yuan based on its value, then another ton of coal with a caloric value of 3,500 kcal will be 25 yuan. Like the electric bulb buyer, the coal buyer obtains a use-value equivalent to what he pays for. In this way, the theory of labor value is affirmed.

Pricing by quality on the basis of pricing by value should be applied to other products. In calculating the value of sugar cane, for instance, China used to base itself on weight alone. No attempt was made to price it by quality on the basis of pricing by value and no standard was set for sugar content. Consequently, cane growers went after higher output exclusively and ignored quality, and the sugar content of our sugar cane declined. During the 1982-83 extraction season, for instance, national output of refined white sugar dropped by 500,000 tons, which translated into a loss of 500 million yuan based on producer price. Subsequently different prices were set depending on quality as measured by sugar content. During the 17 years before this pricing measure came into effect, Longchuan Sugar Factory in Yunnan had an average sugar content of 12.99 percent. That figure went up to 14.08 percent in the 4 years after pricing by quality was adopted. The factory produced an additional 92 tons of sugar from every 10,000 tons of sugar cane. Its output value rose by 92,000 yuan and its contribution to the state in the form of taxes also increased by 27,000 yuan. We can thus see that in the case of sugar cane, pricing by quality on the basis of pricing by value prompted cane growers to pay attention to science and technology and grow sugar cane with a higher sugar content. The upshot is increased income for the grower, the factory and the state. When the same factory produces more refined sugar from the same number of canes, this represents a significant gain in productivity and economic results.

What we have done with sugar cane can be duplicated with other products. In purchasing wool, we should establish different grades of wool according to its quality, e.g., its clean fleece percentage, and set a different price for each grade. In the absence of pricing by quality, there will be no end to attempts to adulterate and pass off an inferior product as a good one. Similarly, there should be standards for the water content of rice and the amount of grain that a stalk of rice actually yields. Oil-bearing crops should also be graded according to the amount of oil derived from them. And so should fruits, depending on their sugar content and size. Other industrial products should have their standards too.

If we thus integrate pricing by value with pricing by quality and adhere to the theory of labor value, using them as a guide in regulating commodity prices, we will effectively overcome price confusion and check runaway price increases. This way we will soon bring about price reform in China and speed up the four modernizations.

FOOTNOTES

1. "Das Kapital," Vol 3, p. 96.
2. Ibid., Vol 1, pp 53-54.
3. Ibid., Vol 1, p 51.
4. Ibid., Vol 1, p 48.
5. Ibid., Vol 1, p 53.
6. Ibid., Vol 1, pp 360-361.
7. Ibid., Vol 1, p 52.
8. "Selected Works of Marx and Engels," Vol 4, p 368.

12581  
CSO: 4006/539

FINANCE AND BANKING

BRIEFS

**WARNING OF COUNTERFEIT BANK NOTES**--Shenzhen, 14 Jun (ZHONGGUO XINWEN SHE)--According to the statistics, Shenzhen branch of the Bank of China has found over 1,700 cases of counterfeit Hong Kong and U.S. bank notes. As of the end of last month, altogether HK\$2,180,000 and U.S.\$8,460 counterfeit notes has been found. Since the beginning of this year, there has been an increase in the number of counterfeit notes compared with the corresponding period of last year. So the person in charge of the Shenzhen branch of the Bank of China warns the people of various circles to pay more attention to counterfeit notes. It is reported that most of the counterfeit Hong Kong bank notes are HK\$100, HK\$500 and HK\$1,000, 80 percent of which are counterfeit notes of the Hong Kong and Shanghai Banking Corporation. These counterfeit notes, brought into Shenzhen mainly by the Hong Kong counterfeit bank notes' organizations, are printed by various processes, such as color duplication. These counterfeit notes are becoming more and more similar to the real bank notes. The relevant department in Shenzhen is now trying to adopt measures to ban the circulation of counterfeit banknotes. [Text] [Beijing ZHONGGUO XINWEN SHE 1230 GMT 14 Jun 85]

**BEIJING PEASANTS' INSURANCE**--Beijing, 13 June (XINHUA)--Over 160,000 peasants, 15 percent of those in rural Beijing, have taken out insurance. According to BEIJING DAILY, 70,000 people had personal insurance, 40,000 families property insurance and 49,000 people automobile insurance, totaling 955 million yuan in premiums. Peasants also insure against fire and loss of chickens and watermelons from hailstorm. The Beijing branch of the People's Insurance Company has paid out 2.67 million yuan in the last 4 years. Last year, 36 melon growers in Daxing and Shunyi counties who had paid 2,500 yuan in premiums netted 8,594 yuan for hail-damaged fruit. Four villages, including Beijing's major vegetable supplier Evergreen Township, have insured in the capital. The Beijing branch, opened in 1980, now has sub-branches in 19 of the city's districts and counties, offering 43 kinds of policies covering from crops to personal property. [Text] [Beijing XINHUA in English 1637 GMT 13 Jun 85]

CSO: 4020/258

MINERAL RESOURCES

BRIEFS

CONTROL OVER GOLD EXTRACTION--The provincial people's government recently issued an urgent circular on strengthening administrative control over the extraction, procurement, and management of gold and has demanded that departments concerned firmly seize the opportunity to really do well the work of the masses extracting gold and of procurement. The circular points out: Gold is an important mineral resource of the state and is owned by the whole people. The masses extracting gold must sell all gold extracted to the state and are not allowed to sell, exchange, and appropriate it themselves. All individuals and units are prohibited from illegally buying it up. All places must strengthen on-the-spot procurement of gold and must take effective measures to strike severe blows at the activities of smuggling gold and peddling smuggled gold. Extraction of gold without a license is strictly prohibited. [Text] [Xining Qinghai Provincial Service in Mandarin 1100 GMT 18 Jun 85]

CSO: 4006/707

INDUSTRY

JILIN'S GOVERNOR SPEAKS ON INDUSTRIAL PRODUCTION

SK120604 Changchun Jilin Provincial Service in Mandarin 1030 GMT 11 Jun 85

[Text] At the production work conference held by the provincial government on 11 June, Comrade Gao Dezhān, governor of the province, said: Our province's industrial production developed in a sustained, stable and coordinated manner from January to May. Leading persons at various levels should remain clear-headed in the good situation, analyze the situation in an earnest manner, and pay attention to the key of the current problems. They should, in particular, put economic results in the first place, and give less empty talk and do more real things when carrying out work.

Comrade Gao Dezhān pointed out: Putting economic results above everything else is the keynote which should be upheld from the beginning to the end when doing economic work. On the premise that economic results are improved, we should strive for real, unexaggerated growth rate, and achieve a unity of growth rate and economic returns. Anything incompatible with improvement of economic results should be corrected immediately. By putting economic results above everything else, we mean that industrial production should be developed in a sustained, stable, and coordinated manner; that we should look back and forward to prevent a too great increase or decline; and that we should maintain a simultaneous increase of output value, profit and tax, and revenue, and make the growth of economic benefit larger than that of output value. We should also improve the economic results in other fields by, for instance, developing new products, improving product quality, reducing consumption, lowering production cost, accelerating turnover of funds, and maintaining production safety.

Comrade Gao Dezhān also pointed out: Giving less empty talk and doing more real things mean that the industrial growth and economic returns should be real, and that the products we produce should be marketable and profitable. Production of products which are stockpiled should be stopped resolutely. Products which are not selling well should be produced according to demands and be restricted. The practice of making false reports on profits should be corrected. One disunity between growth rate and economic results is found, we should revise production quotas immediately, and never procrastinate in finding out a solution to this.

Comrade Gao Dezhān concluded: When we are doing the work for June, we should bear in mind the production for the second half of the year; and when we are doing this year's work, we should bear in mind that for next year, and make good preparations for the production of the next stage in raw material supply and fuel.

INDUSTRY

QUAN SHUREN GIVES INSTRUCTIONS TO MACHINERY INDUSTRY

SK070537 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 6 Jun 85

[Text] Recently, while analyzing the current situation of machinery industrial development at the provincial machinery department, Governor Quan Shuren set forth that the province's machinery industrial front should pay attention to being alert on the basis of continuously maintaining the situation in which the machinery industrial output steadily increases, strive for a solid growth rate, and attach importance to the management and technological progress and the quality of products.

Comrade Quan Shuren said: The machinery industry amounts to a large proportion of the province's total industry and exerts a tremendous influence over it. However, we must pay attention to some questions. Because all products are required by the people, some enterprises only pay attention to the output and not to the quality of products. This is not good. We should note that the problems of today will inevitably influence tomorrow's situation. Thus, the machinery industrial enterprises should pay special attention to the quality of products.

Comrade Quan Shuren pointed out: It is an extremely dangerous thing for the enterprises to have ignored the management and technological progress and relaxed the technological transformation. If we left the situation unchanged, our machinery industry will be inferior to others next year and will be even backward in the year after next. In particular, though it is not easy for the machinery industry to make progress it retrogresses rapidly. We must always be sober-minded, pay attention to maintaining the good situation, pay special attention to the production level, attach importance to the production of high-quality, precision, large-sized and key products, achieve the management and technological progress, improve the quality of products, and increase the economic results.

CSO: 4006/701

INDUSTRY

QUESTIONS ON FOOD INDUSTRY'S ACCELERATED DEVELOPMENT

HK190830 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 85 pp 77-80

[Article by Lu Luping [0712 1774 1627] of the Research Office of the Secretariat of the CPC Central Committee: "Several Questions on the Accelerated Development of the Food Industry"]

[Text] Acceleration of the development of the food industry first demands a clear understanding of the definition or meaning of the food industry and its important role in the economic life of society.

The modern food industry is fundamentally different from traditional food processing. First, traditional food processing was built mainly on the basis of a natural economy. In the past, people's food source was principally based on the production of agricultural, animal husbandry, and aquatic products which they themselves processed for their table, and purchases from the market of processed food was rare. On the other hand, the modern food industry is built on the basis of socialized production. Now the food source for people principally depends on purchases from the markets of processed and semi-prepared products which are then made table ready, or purchases of finished or fully-prepared products directly ready for the table. Second, in the case of traditional food, processing was done on the basis of hand work, whereas the modern food industry relies on the machine-building industry and, generally speaking, production is largely done on a large scale. Third, processing of traditional food relies on accumulated experience and the products mostly catered to the demands for color, flavor, and taste, but sadly neglected rational nutritional standards and health requirements. On the other hand, the modern food industry has developed in line with the growth of modern science, and in guiding food processing it has consistently employed the results of modern biology, chemistry, physics, nutrition science, and public health work. Its products not only must be good-looking, fresh, and flavorful, but must also be nutritional and conform to hygienic requirements.

Development of the food industry can gradually replace food processing done by families or households. It is an important manifestation of the progress of human society. It can facilitate the transition from a natural economy to a commodity economy, enlarge the social division of work, and tap hidden production potential. It can make use of advanced processing methods to develop overall utilization and improve the use of resources. It can employ modern scientific techniques to adjust and increase the nutritional value of the raw materials of

food and turn out food products rich in nutritional value. It can supply fast food and semi-prepared or semi-cooked food products, thus reducing the household work of the masses of people, and so on. Hence, development of the food industry is important in realizing socialist production objectives and socialist modernization.

Before liberation, the food industry in our country was extremely backward. According to the statistics in the "Summary of the Initial Findings of the National Industrial Survey of Major Cities and Towns" compiled by the National Economic Survey Commission of the Ministry of Economics of the KMT Government, in 1947 the food industry had only 1,379 factories in the whole country, with only some 90,000 workers in these factories. As the country's population was about 500 million then, on average there was only one food products factory for every 400,000 people and one worker in the food industry for every 5,000 people. Since the founding of the PRC, following the continuous development of economic construction and the continuous improvement in the people's standard of living, a great change has been made in the backward state of the food industry in our country. In particular, since the 3d Plenary Session of the 11th CPC Central Committee and following the implementation of the guideline of readjusting, restructuring, consolidating, and improving the national economy, the food industry has witnessed a good situation of immense development. According to 1983 statistics, in our food industry there are 24 separate industries and trades including the areas of grain, edible oils, refined sugar, tobacco, salt, fodder, tea, canned food, meat products, aquatic products, vegetables, milk products, milk substitute products, egg products, cakes, confectioneries, seasoning products, bean products, honey products, starch flavoring essence and spices, and food additives. In addition, there are over 60,000 food industry enterprises under the system of ownership by the whole people and some 250,000 rural food industrial enterprises. Their annual gross output value was nearly 80 billion yuan. Nevertheless, we must note that the food industry is still a weak link in the national economy, that supply on the majority of food markets is tight, and that processing capacity is insufficient and is far from meeting the needs of agricultural development or from enriching the people's standard of living. Compared with the economically developed countries, we are even much further behind in regard to the extent and intensity of processing of the food resources.

In order to change the present backward condition of the food industry of our country and create a new situation for the food industry, it is necessary to solve as soon as possible the following problems:

#### 1. Vigorously Develop the Use of Raw Materials Resources of the Food Industry

In order to develop the food industry, it is first necessary to develop use of the resources. At present in our country, not only are immense losses incurred in the use of resources, but also the returns from processing are low and overall utilization is generally poor. For example, in regard to the processing of rice, certain countries have already met the standard of the chaff content rate of rice being generally below 0.05 percent, and in some cases the rice does not have any chaff at all, making it "non-washable rice." On the one hand, this improves the purity of the rice and also obtains more chaff powder. At present,

the chaff content of rice in our country is between 0.15 to 0.25 percent. On the basis of an output of 161.24 million tons of paddy in our country in 1982, in a single year, for the whole country nearly 500 million jin of chaff powder was washed away by washing rice alone. Another example is the processing of maize: At present many countries have adopted the advanced wet method of processing in lieu of the past dry method of processing. By means of step-by-step processing, maize can be broken down into several hundred kinds of products and the utilization rate can be as high as 99 percent. On the other hand, despite the annual output of maize being second only to rice and wheat in our country, over 90 percent is for human consumption and animal fodder. A large amount of maize by-products are thus plainly wasted.

The food industry is a processing industry. Its raw material resources are the processing objects and provide the groundwork for development. The present backward state in the use of food industry resources urgently requires rectification. It is necessary to adopt effective measures in regard to technical equipment, effective scientific research, and economic policies. On the basis of continuously improving storage methods, improving the art of processing, greatly enhancing overall utilization, and developing various stages of processing, it is important to strive hard to raise the usage of raw materials so as to obtain better economic results.

## II. Strive To Improve the Technical Equipment of the Food Industry

The great majority of our country's food industry enterprises have gradually developed from the situation in the past where they were privately-run or individual food stalls or workshops, to where they now are rebuilding, merging, and forming joint ventures. Since the founding of the PRC, despite certain progress made in technological equipment, many industries, trades, and enterprises still have antiquated equipment which is generally at the 1950's level of foreign countries, and some is even at the level of the 1940's or the 1930's. Their mechanized level is very low, their factory buildings are simple and impoverished, and hygienic facilities are poor.

To rapidly rectify this situation it is necessary to increase investments in the food industry. In the past, the proportion of investments in the food industry in the gross industrial investment in different countries was as follows: In France, the annual average for 1964-1973 was 10.7 percent; in the United States, the average for the years 1963, 1970, and 1975 was 9.5 percent; in Japan, the annual average for 1965-1972 was 8.6 percent; in Britain, the annual average for 1967-1976 was 8.5 percent; and in the Federal Republic of Germany, the annual average for 1964-1973 was 7.6 percent. However, in China, the annual average for 1953-1980 was only 2.3 percent. In our country, as compared with the economically developed countries, the absolute amount of capital construction investment has always been much smaller. Coupled with such a small ratio of food industry investment, this has resulted in the prolonged backward state of the technology of the food industry. Since the 3d Plenary Session of the 11th CPC Central Committee, this situation of an overly low rate of food industry investment in the gross amount of industrial investment has begun to be somewhat

rectified. In 1981 it rose to 5.8 percent, and in 1982, to 7.1 percent. Unfortunately, the backward condition of the technology of our food industry is of long standing and it is hardly possible to solve it within a short period of time. Hence, an important task in the development of our country's food industry is to continue to increase investments in the fixed assets of the food industry so that the technology of the industry can be continuously improved.

In order to transform the backward condition of the technology of our food industry, it is necessary to implement the policy on the technological transformation of existing enterprises. At the same time, it is necessary to pay close attention to the introduction of foreign expertise and the importation of equipment. By so doing, time and a large amount of research and experimental expenses can be saved. It will also be possible to speed up the process of improving the technology of our food industry. For example, since World War II, the United States, Japan, and other countries have began research into the technique of using fermentation to convert starch into glucose and into using the same method to convert glucose into fructose. It was only after a research of nearly 20 years and an output of tens of millions of dollars that the final results were successfully produced and put into general production. If we start everything anew and neglect the introduction of foreign expertise, it is inevitable that time will be wasted and the full employment of our resources will be delayed. In the end, the people's needs cannot be satisfied on time, and economically we will only suffer even greater losses.

### III. Actively Develop Scientific and Research Work in the Food Industry

At present our food industry has an insufficient number of scientific and research organs and a shortage of scientific and research personnel. Our methods of scientific research are backward. In regard to scientific research organs, although there are over 200 specialized research institutes in the country, the total number of technological personnel is just over 4,000, averaging less than 20 per organ. As for the scientific research methods in use, the great majority of the institutes lack advanced instruments and equipment. They have difficulty carrying out precise and complex tests. There are essentially no intermediate experimental workshops, which seriously affects the promotion and use of scientific research results in production. In brief, there is a dire shortage of technological personnel in the enterprises. As for the number of technological personnel per every 100 staff members in enterprises owned by the whole people, it has been found that the average for industrial enterprises in the country is 3.1 persons; in heavy industry, 3.7 persons; in light industry, 1.7 persons; and in the food industry, only 1 person. A situation like this greatly restricts the development of the food industry. Therefore, it is necessary to speed up the development of scientific research work in the food industry.

To develop the scientific research enterprises of the food industry, it is necessary to coordinate research and to carry out comprehensive research by avoiding the past system of a division into departments in the scientific research structure and by linking the processing craft, the varieties of raw materials used in agriculture, animal husbandry, and aquatic products, and the

storage and transportation measures taken both before and after processing. So doing will not only benefit agricultural production, improve the variety of products, and increase the output quantity and quality of agricultural, animal husbandry, and aquatic products, but it will also help to reduce losses and waste of resources in the course of processing. Moreover, not only will it increase the income of the peasants, but it will also help to increase the processing done by food industry enterprises and increase the use of equipment, thereby lowering production costs and achieving better economic results. The superiority of this type of comprehensive research has been proven by experiences both inside the country and abroad.

#### IV. Accelerate the Training of Capable Personnel for the Food Industry

At present, our country's industry is facing the following: A relatively large number of skilled and old workers have retired, the new workers lack a fundamental knowledge of production, and the technological level of the personnel is generally declining. According to investigations in certain regions, the technique of the staff members and workers is generally 1 to 1.5 grades lower than before the "Great Cultural Revolution." Not only is the number of technological personnel insufficient, but the technical knowledge of the great majority of the old technicians has become old and the basic knowledge of the new technicians is generally poor, thus resulting in a general weakness in technical strength. The cultural level of many of the management cadres is low and they have not received any specialized training, and a lack of modern management knowledge in enterprises is generally causing a failure to meet the demands of modernization required in enterprise management. The above has greatly restricted our food industry in such aspects as development of new trades, employment of new technology, opening up new resources, development of new products, and improvement of the labor productivity rate. Therefore, greatly strengthening the training of capable personnel for the food industry is sorely needed at present.

In order to really speed up the training of capable personnel for the food industry, it is necessary to carry out training of the entire staff. Only by doing this and by improving political ideology, scientific techniques, and the business, cultural, and operations and management level of the vast masses of workers, engineering and technological personnel, operations and management personnel, and leadership cadres is it possible to fundamentally rectify the relatively low technological and management level of the staff members and workers at present and thus to lay a firm foundation for speeding up the development of our food industry.

In order to earnestly speed up the training of capable personnel for the food industry, it is also necessary to bring the role of the existing food industry schools and institutions into full play. Since the founding of the PRC, although we have not yet established any national or regional higher institutions of learning for the food industry, among the trade schools set up by the commercial and light industry departments, certain classes in the food industry have nevertheless been given. Various departments in charge have set up a number of

institutes of middle school level which offer special courses on the food industry. This constitutes an important force for the training of capable personnel for the food industry. It should not be overlooked.

In addition, we should open wide various channels for the training of personnel. The food industry is based on the science of nutrition, while the latter is based on biology, chemistry and physics. This shows that many of the specialities in schools and institutions of science, engineering, agriculture, and medicine in the country are closely related to the food industry and can train personnel for the food industry.

Development of the food industry requires that we start from the actual conditions of our country and calls for reforms in various areas including the management structure and operation forms and methods. At present we must grasp the following:

#### 1. Developing Food Processing in Diversified Economic Forms

The food industry is an extension and continuation of agricultural production. Its raw materials, products, and markets are all strongly seasonal. With the present undeveloped conditions of communications and transportation facilities in our country, simply relying on the economic system of ownership by the whole people to establish factories for processing cannot achieve a wide geographical distribution of the factories. As a result, it is impossible to avoid losses resulting from the deterioration of the raw materials due to the difficulties in transport. However, if we greatly develop food processing under the collective economy and to an appropriate extent under the individual economy, accompanied by processing stations under the system of ownership by the whole people, then we can effectively transform this situation. By so doing, we can also achieve an extensive raising of funds, thus avoiding restrictions on the development of the food industry due to a shortage of capital. Hence, for the purpose of accelerating the development of the food industry, we must rectify the past situation of the state-run economy exercising too much control and carry out the guideline about the state, the collectives, and the individuals all taking part in the development work concurrently, thus fully arousing the enthusiasm on various sides.

#### 2. Increasing the Proportionate Role of Regulation by Market Mechanisms

Compared with other industries, the food industry has the following special features: a large and complex variety of products, a short production period, perishable products, fast market changes, a wide supply base, and a vast amount of local production and local marketing. Therefore, the state is unable and has no need to control the supply, production, and marketing of the majority of products of the food industry. If the state should endeavor to do so, then it may breed such ill consequences as a waste of food resources, few and simple varieties of food products on the market, a poor quality of food products, and an inability to meet the food requirements of the populace. Hence, it is necessary to fully realize the importance of regulation by market mechanisms, increase their role, and generally rectify the existing state of an overly

broad scope of planned control. In regard to planned control, mandatory planning or guidance planning should be exercised only on a portion of the bulk products of the basic departments (such as grain processing, processing of edible oils, processing of sugar crops, and meat processing). This will ensure meeting the basic needs of the populace, will prevent huge fluctuations on the food markets, will provide, through the basic departments, raw materials for the reprocessing departments for direct food production, and will guide the various reprocessing departments to develop towards meeting the needs of the whole national economy. As for the large quantities of products of a perishable or regional nature, regulation by market mechanisms should be enforced. The enterprises should be allowed to make their own production arrangements in a flexible manner and in accordance with changes in market supply and demand, while the state can reinforce control by means of policies, legal statutes, and industrial and commercial administrative work, thus avoiding imposing a stranglehold which is disadvantageous to enlivening the markets and arousing the enthusiasm of the enterprises and of the staff members and workers.

### 3. Augmenting Control Over the Industry

For a prolonged period our food industry has adopted the departmental control system, with the departments separately taking control. This type of control system severs the internal links of the trades and enterprises and has many defects, such as the inability to form an integrated information system for the whole industry which reports at fixed intervals on the supply, production, and marketing of products and the quantity of stock in warehouses and provides effective guidance for production; the inability to make a horizontal review of the existing technological level of the whole industry and its disparity from the advanced level abroad; the inability to provide unified planning for the technological transformation of the various categories of enterprises of the whole industry and for technological development programs and their enforcement, and the inability to carry out well, and in a planned manner, the tackling of internal technical problems in the country and the introduction of expertise from abroad; the inability to readjust the structure of the enterprises and the structure of the products of the whole industry, based on improvement of the economic results of the whole industry and in accordance with the principles of specialized cooperation and economic rationality; the inability to formulate and promote on an industry-wide basis, the technological standards of products and the norms for consumption of materials and, on the foundation of continuously enhancing the scientific and technological level, make timely revisions of the standards and norms so that the quality of the products will be continuously enhanced and cost of production of the products will be continuously lowered; and so on. In order to remove these defects, it is necessary that industry control replace departmental control.

To do a good job in the industry control of the food industry, the basic problem is that from now on the control departments must follow the demands of separating government functions from enterprise functions and of enlivening the economy, transform the past methods of an excessive use of administrative measures to control the economy, and shift the main energy to the track of unified consideration, planning, cooperation and rendering service to the enterprises.

INDUSTRY

BRIEFS

GUANGXI IRON, STEEL PRODUCTION--By the middle of May this year, Guangxi Region had fulfilled 54.8 percent, 53.9 percent, and 53.3 percent of the annual quotas for steel, pig iron, and rolled steel production respectively. Their output increased by a relatively big margin, compared with the same period last year. Output of steel and rolled steel was a record. The profits made by the iron and steel enterprises directly under the regional metallurgical industry department increased from some 7.98 million yuan in the first 4 months of last year to some 16.8 million yuan in the first 4 months of this year. The profits and income tax paid by them to the state were 230 percent more than in the same period last year. [Summary] [Nanning Guangxi Regional Service in Mandarin 1130 GMT 4 Jun 85 HK]

CSO: 4006/701

CONSTRUCTION

RESEARCH, PREPARATIONS IN PROGRESS FOR BUILDING OF THREE GORGES DAM

HK150430 Beijiang CHINA DAILY in English 15 Jun 85 p 1

[Article by staff reporter Xu Yuanchao]

[Text] Scientific research and initial preparations for the building of the Three Gorges Dam on the Yangtze River, which will be the largest in the world, are being speeded up.

A feasibility study on the project including a 165-meter high dam was approved in principle by the State Council last year and another alternative of a higher dam is under discussion. Construction will start once the final plan has been adopted by the government.

A 42-kilometer highway is being built from Yichang City, Hubei Province, to the site at Sandouping. Around 100 engineers and technicians have moved to the area to staff the Three Gorges Engineering Office.

The dam will have a capacity of 13,000 megawatts, producing 64.6 billion kilowatt hours of electricity a year and it should end the Yangtze's history of disastrous floods.

Experts are examining problems of silting at four points on the river. Simulated tests have been carried out by scientists from Qinghua University, Wuhan Hydroelectric College, the Yangtze River Valley Planning Office and the Tianjin Navigation Research Institute.

The tests' results will help determine which design is chosen for the dam, which was first proposed in 1958 at the Chengdu conference of the party's Political Bureau.

If a 165-meter high dam is built, it will raise the water level to 15 meters above sea level. The reservoir upstream would be 500 kilometers long.

The second design calls for a higher dam which would raise the water level to 180 meters above sea level. If that design is adopted, the resulting reservoir will stretch back to the suburbs of Chongqing in Sichuan Province, enabling 10,000-ton vessels to reach the city.

Both options were drafted by the Yangtze River Planning Office. Engineers are working out a detailed design that would favor navigation. This alternative will be submitted for discussion in Beijing in August.

Flood control is also an important function for the Three Gorges Dam because the 6,300-kilometer river has a long history of devastating floods.

Since the beginning of the century, three big floods have occurred. In 1931, torrential floods killed 145,000 people and left 28 million homeless. After four years another flood killed 142,000 people and inundated about 1.5 million hectares of farmland. More than 30,000 people were killed by a flood in 1954 and 2.8 million hectares of farmland inundated.

The middle and lower reaches of the Yangtze River are China's most developed areas which account for 80 percent of the river's 126,000-square-kilometer drainage area.

There are 75 million people and 6 million hectares of farmland as well as 30,000 kilometers of flood control work along the lower reaches of the river, said Cheng Shoutai, an official of Yangtze River Valley Planning Office.

"If the 1954 flood were to reoccur, the resulting economic losses would be enough to build a Three Gorges Dam," he said.

CSO: 4020/258

CONSTRUCTION

HAINAN ISLAND EXPERIENCES COMMUNICATIONS DEVELOPMENT

HK150829 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 13 Jun 85

[Text] Over the past 3 years since Hainan Island opened to the outside world, it has developed its communications rapidly. Compared with the period before opening to the outside world in 1981, the volume of passenger transport has increased by 77.5 percent, the rotation volume of freight transport has increased by 91.9 percent, and the handling capacity of the ports has increased by 42.4 percent.

Since 1982, the Hainan Regional Government has placed communications building in an important position and given priority to plans for manpower and material and financial resources. After careful investigation, it has formulated an overall plan for communications building.

First, a number of port docks are being expanded or reconstructed. This includes the preparations for building the Yangpu deepwater port and the expansion and reconstruction of Haikou, Basuo, and Qinglan Ports. Last year transformation of the old areas of Haikou Port and the expansion of the Haikou Port passenger transport dock and of the Basuo Port miscellaneous goods dock were completed. At present, two new docks with two 5,000-ton berths in these two ports are under construction.

Second, three main road lines on the island have been transformed and a number of main bridges are new. Last year, 152 kilometers of badly needed road surfacing was done or improved, 10 branch roads totaling 39 kilometers, were newly built. Some 1,800 meters of bridges were newly built.

Third, the building of the key communications projects, including the Haikou Airport and Lingba Railroad, has been grasped. The main runway of the Haikou Airport has been completed ahead of schedule and a large Boeing passenger plane has replaced the small plane there. All foundation projects, including the road bed and tunnels of bridges of the Lingba Railroad, have been completed ahead of schedule. Tracks are now being laid. It is planned for this road to open to traffic on 1 October.

CSO: 4006/715

CONSTRUCTION

BRIEFS

BELJING FLOOD-DIVERSION PROJECT--In order to maintain the safety of the capital and areas in the lower reaches of the Yongding Hei, the Luguoqiao flood-diversion project is being built. This project includes a sluice gate across the Yongding He, a flood-diversion sluice gate on the (Xiaoqing He), and a flood-control area in the (Daming) reservoir. The project started early this year. The 14,000-cubic-meter concrete pouring task for the two sluice gates has been completed by now. It is estimated that the two sluice gates will be completed before the flood season next year. [Summary] [Beijing City Service in Mandarin 1000 GMT 13 May 85]

CHINA'S LARGEST CEMENT KILN--The No 3 Kiln of the Benxi Cement Plant in Liaoning Province--so far China's largest coal-consuming rotary kiln with a precalcinator--passed state assessment on 25 May after 19 months of testing. As a state key scientific research project of the Sixth 5-Year Plan, the kiln is high-yielding and energy saving. It also occupies less area and reduces pollution. Upon completion, it will be able to produce 1,200 tons of cement clinker daily, and 380,000 tons of No 425 ordinary cement annually. [Summary] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 25 May 85]

CSO: 4006/697

DOMESTIC TRADE

JINQJI RIBAO URGES INTEGRATION OF COAST, INLAND AREAS

HK140919 Beijing JINQJI RIBAO in Chinese 3 Jun 85

[Article by Zheng Shan [6774 1472]: "Enhance the Integration of the Coastal Areas With the Hinterland"]

[Text] In our country's socialist construction, to correctly deal with the relations between the coastal areas and the hinterland and effectively integrate the economic development of coastal areas with that of the hinterland and enable them to develop and prosper together is a matter of great strategic significance in the overall development of our country's economy.

At the beginning of this year, the CPC Central Committee and the State Council explicitly pointed out: it is necessary to closely integrate the economic development of the coastal areas with the economic development of the hinterland and closely integrate the import of foreign technology with cooperation with the inland enterprises. The CPC Central Committee and the State Council have also demanded that the coastal provinces and cities should strengthen their economic contacts with the hinterland so as to exploit resources together, jointly produce good-quality famous brands of products, exchange qualified personnel and technologies, push forward with the economic development of the hinterland and become the "window" for expanding the economic intercourse with the outside world. The various provinces and cities of the hinterland should actively develop economic and technological intercourse with the outside world, further strengthen economic cooperation with the coastal areas, bring into full play the advantages of the coastal areas and accelerate economic development.

We should be aware that the coastal areas of our country, which are the first front, occupy an important position in our country's national economy. These areas have good industrial and agricultural foundations and are also traditional industrial bases whose total industrial output value accounts for half that of the whole country. These areas have an advanced commodity economy, high scientific, cultural, and administrative standards and a large number of scientific, technological, and administrative personnel. They also have convenient transport and communication systems and have traditionally had extensive contacts with the outside world and are the hub of "importing foreign things and of linking with the hinterland." At the same time, we should also notice that there are some detrimental factors in the economic development of the coastal areas, such as the lack of energy and

the lack of mineral resources. These problems are more obvious in the southern coastal provinces and cities. So, in order to greatly develop the coastal economy, on the one hand, we must continue to carry out economic and technological cooperation and intercourse with the outside world, and on the other hand, we must strengthen the horizontal economic contacts with the hinterland and allow both the internal and external "sides of the fan" to radiate. Only in this way will we be able to speedily build the coastal areas into modern, open, civilized and prosperous areas which are able to carry out both internal and external exchanges, integration of the workers and peasants, and cooperation between the urban and rural areas.

The hinterland of our country is the strategic rear of our motherland, whose area accounts for approximately one-third of the area of the whole country. The population of the hinterland accounts for 40 percent of that of the whole country. Since the large-scale construction of the hinterland began, the state has invested enormous funds in the hinterland; 45 specialized production bases to mainly produce the major products of heavy industry have been formed, and the total industrial output value of the hinterland has already reached one-fourth of that of the whole country. The hinterland is rich in energy and mineral resources. For example, Sichuan Province's hydroelectric power reserves have reached 150 million kw. The mineral reserves of the hinterland account for 50 to 90 percent of that of the whole country. The hinterland is also rich in farm, sideline, local and special products, such as silk, organes, ramie, leather, natural spice, precious traditional Chinese medicines and so on. But these advantages have not been brought into full play because of the inconvenient transport and communication systems, poor capability for developing the resources, backward processing technology and the low standard of management and operation of the hinterland.

From the actual advantages and disadvantages of the economic base and natural geographic conditions in both the coastal areas and the hinterland, we can clearly see that in the construction of the overall national economy, both the eastern coastal areas and the western hinterland have their respective advantages and disadvantages. The advantages of the eastern coastal areas are the very disadvantages of the western hinterland, whereas the advantages of the western hinterland are the very disadvantages of the eastern coastal areas. So, to integrate the east with the west and enable the east and the west to learn from each other's strong points and offset each other's weaknesses is the only way to carry out the greater, faster, better and more economic construction of the socialist modernization.

The closer the integration, the more beneficial it is to the development of the economic construction, the horizontal economic contacts, the reform of the economic structure, the rational arrangement of our country's productive forces and the better use of the various natural resources, such as human, material, and financial resources and so on.

In recent years, the coastal provinces and cities and the inland provinces and cities have gradually acquired experience and achieved good results in carrying out their mutual economic cooperations. But the present horizontal economic contacts are still at an early stage. There are still some questions concerning the ideology, organization administration, forms of the integration, specific policies and so on which need to be further explored in practice.

First, we should integrate the coastal areas with the hinterland in our guiding ideology and approach the question from the high plane of the strategic economic development. We should also smash the trammels of long-standing economic ideologies, such as the ideology of closing the door to the outside world, the ideology of "not asking for help", the ideology of "big but complete," and the ideology of "small but complete". We should also cast away the ideology of doing things alone and not cooperating with others, and change the situation where everything depends on the state and the practice of "eating from the same big pot".

Second, we should carry out cooperation in various forms. We should pay more attention to cooperation in the construction of big and medium-sized production projects, and in the meantime, we should pay attention to co-operation and intercourse in trade, materials, transport, science and technology, labor affairs, qualified personnel, information and so on. As far as the forms of cooperation are concerned, all forms of cooperation presently being carried out with foreign countries are applicable to co-operation between the coastal areas and the hinterland. Only by doing things in this way will cooperation between the two sides become varied and colorful, thus not only "grasping the watermelon", but also "picking up the sesame seeds". The close integration will greatly push forward the development of the various economic undertakings.

Third, we should successfully solve the question of mutual benefit. The economic and technological cooperation should be carried out on a mutually voluntary basis and according to the principle of "publicizing each other's advantages and evading each other's disadvantages, being beneficial to each other, helping each other and developing together." The core is mutual benefit which means that each side can benefit from the other. If both sides cannot benefit, cooperation will not last long. Our country is a socialist country. We should consider the overall situation and stress style and friendship in carrying out economic and technological cooperation. Our cooperation must be different from that among capitalists who try to cheat or outwit one another and haggle over every ounce. We should not take advantage of others' precarious positions to overcharge them.

Fourth, we should implement the policy of assisting and encouraging cooperation. At present, when the overall economic structure has not been fundamentally reformed, in order to strengthen horizontal contacts, the state has already made a number of policies of assisting and encouraging cooperation. Along with the development of economic and technological cooperation

among different departments and regions, and with the gradual increase of big and medium-sized cooperative projects, there will be a lot of questions concerning the planning channels, fund distributions, material supplies and so on for us to consider and solve. We should also further enrich and perfect the policies of assisting and encouraging cooperation in practice, thus further pushing forward with horizontal integration and cooperation as well as with development of the national economy.

CSO: 4006/698

DOMESTIC TRADE

BEIJING OFFICIALS SLASH VEGETABLE PRICES

OW041100 Beijing XINHUA in English 1044 GMT 4 Jun 85

[Text] Beijing, Jun 4 (XINHUA)--Beijing authorities have slashed the prices of three best-selling vegetables by 20 to 30 percent, and have taken steps to boost supplies to state-owned markets.

The moves follow complaints by the public about shortages of vegetables and about prices being higher at state-owned shops than at free markets in the city.

From this week, the prices of cabbages, cucumbers and tomatoes have been reduced to 0.42, 0.82 and 1.30 yuan per kilogram, respectively.

Although these are up to 30 percent cheaper than prices at state-owned shops last week, they are still almost double the prices being charged this time last year.

In addition, a ban on trucks and carts from outside Beijing bringing vegetables into the city has been partially relaxed.

The ban was aimed at easing traffic congestion, but now lorries, tractors and horse-drawn carts can carry vegetables into urban areas between 8 p.m. and 6 a.m.

State-owned wholesale markets are also encouraging peasants to bring their products to Beijing by offering them better prices. And more than 200 municipal officials have visited 11 provinces and cities to place vegetable orders.

The local authorities have been encouraging rural growers to set up stalls along city streets and in residential areas.

CSO: 4020/259

DOMESTIC TRADE

JINGJI YANJIU ON REFORM OF FRESH FOOD TRADE IN CITIES

HK141519 Beijing JINGJI YANJIU in Chinese No 4, 20 Apr 85 pp 73-76

[Article by Guan Xihao [1351 1585 3185] of the Economics Department of Jinan University: "Reform of the Structure of Purchasing and Selling Fresh and Live Agricultural Sideline Products in Large Cities"]

[Text] For a prolonged period, cities and towns in our country have been universally carrying out the policy of the unified purchase and sales of fresh and live agricultural sideline products. Apart from slight disparities between the different regions and different time periods in the varieties and quantities of products under the unified purchase and sales, their common feature is as follows: Governments at various levels, by means of administrative measures and promulgation of decrees and orders, order their subordinate administrative zones and organs at various levels to adopt measures of planned control, fixed forms of turnover, and exchange at unequal value, in organizing the production and circulation of fresh and live agricultural sideline products. In reality, this forms the "four fixtures," namely, fixed production regions and surface areas; fixed supply sources and quantities of products; fixed purchase and sales prices of products; and fixed targets of supply of products and fixed standards. In purchasing and selling, the "unified" and "contracted" forms of transfer or bartering of products are employed. In the distribution of products, the egalitarian form of supply of "fixed quantity as per coupon" and "per-head distribution" has been adopted. In essence, this is an administrative planned control structure of the closed type under the conditions of natural economy.

It cannot be denied that in the initial period of the formation of the PRC, this form of centralized and unified purchasing and selling structure did promote the development of large-scale socialist construction, ensuring the meeting of the basic needs of the people's livelihood in cities and towns. In addition, it conformed to the demands of the social and political changes of the time and ensured the completion of the "three great transformations." Experiences in history have shown that under the government's direct intervention and organization this form of structure did play a definite role in regulating the contradictions between supply and demand. However, following the basic completion of socialist transformation--particularly the development of agricultural production, the readjustment of agricultural production relations, changes in agricultural production contents and form, and so on--the original structure of unified purchasing and selling of fresh and live agricultural sideline products has steadily revealed many defects.

First, production is restricted. The system of unified purchasing and selling rejects commodity production and regulation by market mechanism and seriously curbs the enthusiasm of the producers for developing commodity production. Even though the quality of the products is extremely poor, and the food is liked or consumed by few people, yet because the state has contracted for its sales, the producer has no worries that the food cannot be sold and therefore does not bother to turn out products of better or superior quality and does not care about employing modern scientific and technical methods and results to change and improve production techniques. As a result, the production of traditionally superior agricultural sideline food products has been seriously curbed. Following the implementation in suburban areas and in the countryside of the system of contracted responsibilities linking payment to output, the enthusiasm of the producers has been shifted from the production of simple and unitary products to the production of products which are profit-making and which are not subjected to unified purchase. As a result, various problems have emerged such as tending to pay heavy regard to covering large areas and to the quantity of output. Producers deliver inferior-quality and low-grade products to the state, retaining products of superior quality for self-marketing, and so forth.

Second, the channels of circulation are blocked. This system of state monopoly for purchase and marketing, acting through the mechanism of leadership by numerous departments and regions and principally relying on the administrative strength and the power and authority given to the various business departments, employs the mandatory measures of unifying, contracting, levying and assigning to organize and consolidate its own system, bringing about a situation of the regions, departments, cities and the countryside separately carving out for themselves spheres of interest which display the special features of being closed to the outside and generally self-sufficient. This structure stops short the economic movements which the agricultural sideline products have naturally acquired from history. Operations of sole monopoly organs seriously block the various channels, demonstrating strong anti-outside sentiments and the character of exclusiveness. Egalitarianism and the distribution relations of "everybody eating from the same big pot" breed a bureaucrat-merchant style of operations, the producer having no power in the operations and the person in charge of the operations ignoring the relationship between production and consumption, thus causing the dislocation of production and marketing and the blocking up of the circulation channels. Fresh and live agricultural sideline products are large in quantity and complex in nature. They are readily perishable and are particularly averse to complex handling methods in the course of storage and transport, such as long-distance transport, roundabout or reverse flow of goods, too many turnover stages and so forth. These handling methods cause large-scale stockpiling, waste, damage in quality, and mildewing and rotting of products, thus greatly lessening, and even losing, the use value of the products and increasing the cost of production. Under the system of state monopoly for purchase and marketing, this problem has remained unsolved for a prolonged period, resulting in a frightening rate of loss and damage of products and in serious waste and losses in circulation and turnover. It brings about a situation in which the "countryside formerly known for its plentiful supply of fish and grain no longer has any fish for the table," and the "countryside famous for its fruit-growing has no more fruit for the market." People scramble for a product when it is in short supply but throw it away when it is plentiful and at times when the products are neither plentiful nor scarce, they "keep the good ones and sell the rotten ones," or "sell the rotten ones and let the good ones rot."

Third, losses are incurred in operations. The system of state monopoly for purchase and marketing resorts to the method of exchange at unequal value to take control of the supply sources of goods and resorts to the inverse price method to handle purchases and sales which in themselves are losing propositions. Selling at cheap prices, buying at negotiated prices and making planned purchases at prices lower than the cost of production cause discontent among the producers. Furthermore, collective enterprises in the countryside have to engage in diversified operations to "use industry to compensate for agriculture." Operators must on the one hand grant sales bonuses and special compensations and, on the other hand, suffer losses in their operations. Thus, production requires subsidies, operations require subsidies and consumption likewise must have subsidies. All the subsidies and losses must be borne by state finance. Operations of this kind which are at an unequal value of exchange, incur heavy losses and call for various kinds of subsidies and compensations, heavily increasing the burden of the state and the enterprises in the countryside and towns. They can hardly be continued for long.

Fourth, consumption is curbed. Under the system of state monopoly for purchase and marketing, insufficient production has forced the adoption of the method of equal distribution so as to ensure meeting the residents' basic living and consumption needs. With the exception of vegetables and fruits, all other main agricultural sideline products, regardless of people's likes or dislikes, of whether they need them or not, are distributed at fixed norms to each household or person through the use of coupons. People must eat whatever is supplied to them, and there is no leeway for choice. People must buy whenever supply is available, and if the time limit is exceeded the coupons will become invalid. The quantity of consumption must follow the quantity of supply and equal right is enjoyed by all. This not only cannot suit the increase in the people's income, or the rise in their purchasing power or changes in the composition of supply and demand but also seriously curbs the rise of the consumption level.

In short, the policy and structure of the unified purchase and selling fresh and live agricultural sideline products in large cities and towns have come to a stage where they must be thoroughly reformed.

Reform is in keeping with the general trend. According to the experiences in initial reform undertaken by certain cities in our country in recent years, the direction of the reform of the purchasing and selling structure of fresh and live agricultural and sideline products is to change the closed type of administrative control structure for unified purchase and marketing to an open type of economic control structure for negotiated purchase and negotiated sales. The steps of the reform are from partial liberalization to all-round liberalization and from initial reform to complete and thoroughgoing reform. The concrete contents of the reform are: Change of mandatory planning to guidance planning; change of control of circulation by administrative zones to smoothing of circulation by economic zones; change of the transfer or allocation of products which is of a closed nature and features local production and sales to neighborhood regions to regulation by market mechanism which is liberalized, adjusted to circumstances, and features free sales and marketing; change of integration of government and enterprises to separation of government functions

from enterprise functions; change of the enterprises' administration and cooperation functions to organization and service functions; change of distribution at fixed prices to free transactions at negotiated prices; change of the "three few's and one many" to "three many's and one few," that is, change from the sole monopoly operations to many units competing and operating, change from a single circulation channel to many channels of circulation, change from few network-points and a single operation form to many network-points and many diversified operation forms, and change of many links to few links; and change of dislocation and separation between production and marketing to production and marketing being linked together and brought into contact. Reform ultimately aims at enlivening circulation, promoting production, enhancing consumption, improving the people's standard of living, and obtaining the best socioeconomic results. The guidance thoughts of the reform are: restoring the original commodity nature of the fresh and live agricultural sideline products, working in strict accordance with the objective regulations of commodity economy--the law of value, consciously making use of the mechanism of market regulation, employing various kinds of economic measures to guide production, organizing and adjusting the supply sources of goods, stabilizing commodity prices, enlivening circulation and promoting and facilitating consumption.

Adhering to the above-mentioned guidance thoughts and principles, and for the purpose of continuing and accelerating the process of reform of the purchasing and selling structure of fresh and live agricultural sideline products, it is necessary to note the following problems:

1. To carry out reform, it is necessary to have definite material conditions. Originally, we enforced the system of state monopoly for purchase and marketing because of the low production of the agricultural sideline products. Now, the steps of reform or of liberalizing must also be determined by changes in the relations of supply and demand. The general principle is that in the case of those agricultural sideline products for which demand is great and whose supply is particularly stringent, liberalizing should come later, whereas, conversely, the control should be loosened first. Because of the relatively small elasticity in the production, supply, and demand of agricultural sideline products and in regulating their supply and demand, we should not, in the course of the reform, abruptly change or discard the original standards and methods of purchase and marketing but should carry out the reform gradually and only when the products are more plentiful or when there is a definite assurance of the availability of the supply of the products, that is to say, when the needed material conditions have been created, should all-round liberalization be carried out. Further liberalizing of existing policies, arousing the enthusiasm of the producers and operators, having the state-run enterprises, collective enterprises and individual undertakings all working in unison, and, in particular, developing the specialized households, are all possible factors for the creation of the material conditions.

Developing production and organizing the sources of supply of goods are the material prerequisites for reform. Among the fresh and live agricultural sideline products, meat, fish, eggs and milk are all secondary (also called the 2d grad) agricultural products converted from the primary agricultural

products of feed materials (grain, vegetables and fruits) which have been consumed. The larger the demand for this category of fresh and live agricultural sideline products, the larger is the demand for the feed materials which form the material basis for their development. Hence, the stringent supply of grain and the existence of a gap in feed grain (this problem is relatively prevalent in large cities and towns) both curtail the development of commodity agricultural sideline products. In recent years, the increase in grain production has yielded a slight grain surplus. This provides a good opportunity for changing the structure of agriculture and industry in city suburbs, for speeding up the production of fresh and live agricultural sideline products, and thereby changing the composition of the agricultural sideline products. We should tightly grasp this opportunity.

The material conditions of reform also include the two factors of supply and marketing. For example, with the exception of fodder, the production of agricultural sideline products is inseparable from the supply of the means of production, such as good seeds (plant seeds and breeding stock), technology, and equipment and from plague and disease prevention and cure services, and is also indivisible from such basic facilities as communications and transport, storage and preservation of freshness. On the part of marketing and sales, it cannot be separated from networks, marketing points, and market places. Doing a good job in material preparation of this kind can ensure the marketing of the products in an even and balanced manner, otherwise, not only can an ample supply of the products not be ensured but also the products, though available, cannot be transformed into commodities, far less into objects for consumption.

2. Reform must suit local conditions, the timing, and the persons affected, and use the principle of substitution, choosing the order of liberalizing of the varieties of products and the order of the procedures and steps. Fresh and live agricultural sideline products have numerous varieties. Apart from having common features in storage, transportation, and the task of retaining freshness, they vary greatly among themselves in status and usefulness in people's life. They also vary greatly in demand elasticity, supply elasticity, and substitution coefficient. Hence, reform must start from reality. The acute conditions in supply and demand of the various categories of agricultural sideline products must be concretely analyzed so as to formulate the corresponding countermeasures. For example, fresh fish is a specially scarce variety of food for residents in Guangzhou who have been accustomed to "enjoying fish for lunch and meat for supper." Guangzhou is situated in the water network area of the Zhujiang Delta where the basic conditions for breeding and raising of live pond fish are relatively good. Moreover, fish grow more quickly than other sources of meat. The conversion rate of feed materials for them is rather high, their substitution coefficient for animal protein is relatively high, and, in general, fish are rich in nutritional value. As a result, the city has chosen pond fish as the breakthrough point in solving their problem and has achieved notable results. Subsequently, following the relaxation on pond fish, the city proceeded to relax the control on the "three birds" (chicken, duck, and goose) and on eggs. At present, the supply and demand for these items of food has basically been balanced, their prices have become reasonable, and the market for them has been enlivened. This has prepared the conditions for liberalizing the market for pigs and pork this year.

Among the sources of meat for animals, domestic fowls, and egg products, chickens and pigs use grain as food while cows and sheep are herbivores, feeding on plants. Among them, there exists a substitutive relationship in the nutritional and food value of animal protein. Between chickens and pigs, the growth time of the former is shorter, its transformation rate of feed materials is rather high and, comparatively speaking, the production cost is cheaper. At one time, Tianjin Municipality suffered from a shortage in feed grain. It resorted to the countermeasure of collective chicken raising as the breakthrough point. It took only a year to achieve fairly good results. In addition, between animal protein (meat, milk, eggs) and vegetable protein (principally bean products), such as between meat, eggs, and beancurd, between milk and soybean milk, and even between vegetables and fruit, a substitutive relationship likewise exists. It can thus be seen that it is necessary, starting from the actual economic and social conditions and their development in the large cities and towns, to be adept in the fruitful use of the principle of substitution and in choosing the breakthrough points for liberalization. Thus, we should first relax the control over one of several categories of food, and through accumulating experience and creating the necessary conditions, follow up with relaxing the control on several more categories of food, thus realizing the transition from partial and initial liberalization to full-scale and thoroughgoing liberalization. This should be a relatively good transitional form.

3. The reform must proceed at the same pace as reforms of other structures. Reform of the structure of fresh and live agricultural sideline products is not only related to the economic interests of the producers, operators, and consumers but also to the vested interests of the various departments-in-charge in the superstructure. In a planned commodity economy, employment of economic levers such as prices, taxation, credits and loans constitute important tactics for consciously readjusting the above-mentioned interests. Through methods of regulation such as adherence to the trade or market trend, negotiating prices according to quality, negotiated purchases and negotiated marketing, and being subject to the relationships of market supply and demand prices will fluctuate. Hence, reform of the price control structure should come first. Undoubtedly, it would be like binding our own hands and feet if we continue to insist on adopting fixed planned prices or negotiated prices which depart from reality and do not reflect the amount of the social necessary labor or the changes in the supply and demand relations of the market. Only through reform and relaxation so that prices and value can basically conform to each other is it possible to enliven the economy. Under the conditions of supply lagging behind demand, at the initial stage of relaxation, prices will naturally rise. Under the conditions of a stabilized income level, social demand will be kept under control or consumption will be transferred to other substitute commodities. But once prices have risen, production will naturally be stimulated and expanded and people will be encouraged to organize their supply of goods from all sides. With an increase in the supply of commodities, supply and demand will tend to balance, and prices will tend to be rational. As seen from the actual practices in the municipal reforms carried out in Guangzhou and other cities, it is found that changes bring about enlivenment and enlivenment increases the supply of

commodities, while following the increase in the supply of commodities, prices will be cheap and there will be better goods for the market. Reform will thus develop production, enrich the supply of products, enliven operation and management, raise the consumption level, and make local finance turn for the better.

While the initial reform of the purchasing and selling structure of agricultural sideline products has partially readjusted the irrational parity prices of a portion of the commodities, it has also created new contradictions. So that although in the liberalized regions and regarding certain portions of the products, price and value basically conform to each other, in regions and regarding portions of products which are still subject to state monopoly for purchase and marketing, exchange at unequal value still persists, that is to say, the prices are still below value. This means that the liberalized are "eating from the same big pot" and receiving compensation at the expense of the unliberalized. This will certainly dampen the enthusiasm of those who produce and handle the food products but who are still not yet liberalized and it may badly effect the readjustment of the structure of agriculture. From this it can be seen that there must be continuity in the progress of reform and that in the reform all irrational parity prices must be readjusted in conformity with the demands of the law of value. At the moment, the supply of fresh milk in the majority of large cities and towns is rather tense. While the causes may be ascribed to the existence of single-product economy and unitary operation forms and the shortage, or lack, of cows and feed materials of superior quality, the principal reason is actually the raising of the prices of milk products in the whole country in 1982. This has aggravated the inconsistency between the prices of milk products and the price of fresh milk. Readjusting this price inconsistency will remedy the situation of the insufficient supply of fresh milk and the retarded sales of milk products.

The [word indistinct] of prices following the relaxing of the control over fresh and live agricultural sideline products is in keeping with the operation of the law of value. The question is that this rise in prices must tally with the ability to pay on the part of the consumers. Development of the economy must be accompanied by a rise in the income level of the populace. Therefore, reform of the purchasing and selling structure of fresh and live agricultural sideline products must proceed at the same pace as reform of the system of salaries and wages for labor. If not, then we will be powerless (lacking of purchasing power) to do what we must want (raising the consumption level). Experiences have shown that enhancing the income of the urban and rural residents and raising their capacity to pay are indispensable and important conditions for liberalization. At present, reform of the wage system in large cities and towns has not yet begun. Payment of supplementary wages or providing the consumers with subsidies constitutes a necessary and expedient measure. Naturally, subsidies and compensation of this kind will no longer be necessary if salaries and wages can follow the rise in commodity price indices (these indices must have a scientific basis) or if relevant reforms have been made on the system of salaries and wages.

Reforming is directly related to reform of the various functional departments such as finance, credit and loans, taxation, and industrial and commercial administrative control offices. For example, in liberalizing the sale of pork and changing "one butcher's knife" to "many butchers' knives," the producer or owner can do the slaughtering and marketing by himself. But in so doing, in order to protect the health of the urban and rural residents and also to protect the source of the state's revenue as well as to facilitate plague prevention, government inspection, and taxation control, the measure of "suitably centralizing butchering and decentralizing sales" should be adopted. After changing "three few's and one many" to "three many's and one few," the state of all "rising in unison" will surely emerge. It is necessary to enforce the system of the economic management of industries and trades, to operate the one-dragon system of supply, production, and marketing and to make production and marketing come into direct contact with each other. Upon liberalizing, loosening the bondage, allowing operations to extend across enterprise units, across regions and across ownership systems, and even utilizing foreign capital and breaking through monopoly control, we should waste no time in following up with the reform of the management structure which integrates government administrative functions and enterprise functions. Simultaneously with the separation of government administrative functions from enterprise functions, the enterprises' former administrative and coordination functions should be changed into organizational and service functions. Information guidance and rendering of socialized services should be strengthened, and subsidies to the enterprises for losses incurred in contracting should be gradually reduced until they completely disappear. In addition, in the course of reform it is necessary that reform of the organizational and management structure of labor, personnel, and cadres must also proceed at the same pace. The change from the use of administrative tactics to the use of economic tactics urgently requires the services of capable, specialized financial and economic personnel from various sides and particularly requires that the various stages or links in the circulation area update their technical knowhow. In the reform of the organizational structure, it is necessary to pay close attention to the training and employment, via various channels and in various forms, of a large number of economic management personnel who are adept in grasping information, talented in organizing socialized services, and dare to undertake reforms.

4. Reform requires adequate preparation of public opinion. For a prolonged period of time, the enforcement of the policy of state monopoly for purchase and marketing has become a force of habit. The producers have become accustomed to obeying the planned arrangements, planting "political vegetables," delivering "patriotic grain," "selling patriotic pigs," and, apart from fulfilling their mission of making deliveries and sales, have seldom bothered to ask about the economic benefits of the fruits of labor. As for the operators, or those who run the enterprises, they have been used to the practice of "everybody eating from the same big pot," to incurring losses in operations, and to receiving state subsidies prescribed by government policies. The consumers have become accustomed to taking and accepting "fixed" rations of products at the list price and practicing egalitarianism. A sudden act of liberalization will take them all by surprise: The leadership will be fearful of confusion or disturbances; the producers will be afraid that they may not be skillful enough in

handling the operations; those running the enterprises may fear that the practice of "everybody eating from the same big pot" may be ruined and their "iron rice bowls" may be broken; and the consumers may feel nervous that they cannot afford the food prices or procure what they want to purchase. Therefore, it is necessary to do the necessary psychological and ideological preparation work beforehand. For example, in their initial reform, the various large cities and towns should resort to such measures as "controlling the big things but relaxing on the small things," "controlling in the midst of liberalizing," "making assurances while liberalizing," and so on. In fact, the underlying purpose is to "maintain" the original consumption level so as to stabilize social order and so that the reform may continue its progress. For example, to ensure that each day there will be a definite supply of certain vegetable or that concurrently with the supply in the market of refrigerated pork at the list price, there will be an all-round liberalizing on the sale of fresh pork, and so on. This method of "assurance" has the main purpose of making psychological preparations. In addition, it is necessary to convene various sorts of discussion meetings and particularly to make use of various kinds of propaganda tools such as the press and periodicals to inform public opinion and to do a good job in ideological preparation work. In short, this kind of work can lessen the psychological impact on the producers, operators, and consumers so that they may be gradually accustomed to regulation by market mechanism and to price changes and gradually free themselves from the bonds of traditional concepts. This will not only serve to accumulate experiences but will also lay an ideological foundation for further carrying out the reform and realizing an all-round liberalization and a thoroughgoing reform.

CSO: 4006/710

DOMESTIC TRADE

BRIEFS

HEILONGJIANG SUPPLY MARKETING COOPERATIVES--Heilongjiang Province has organized more than 7,100 persons thus far in 1985 to spread information, provide technology, and sign production and marketing contracts with peasant households. With their help, the province, has thus far sown 959,000 mu of white melon seeds, an increase of 213,000 mu over 1984--procurement volume is expected to reach 18.85 million jin, an increase of 28.6 percent over 1984--sown 10,000 mu of black melon seeds--500,000 jin will be sold as commodities, an increase of 67 percent; and raised 158,000 hives of bees--the procurement volume is expected to reach 8.42 million jin, an increase of 2.3 times. As of the end of March, the supply and marketing cooperatives had signed 322,800 castor-oil production contracts with peasants, and the sowing acreage reached 1 million mu. The output is expected to reach 200 million jin. This may bring an income of 100 million yuan for peasants. The total procurement value of agricultural and sideline products in the first quarter of 1985 reached 63.86 million yuan, an increase of 18 percent over the corresponding period of 1984. Of this figure, 136.36 million yuan came from the procurement of oil-bearing seeds and bean cakes, an increase of 100 percent over the corresponding period of 1984. This province procured 5,927 hogs and 210,000 fowl in the first quarter of the year, an increase of more than 400 percent respectively over the same period of 1984. [Summary] [Harbin HEILONGJIANG RIBAO in Chinese 30 Apr 85 p 1]

CSO: 4006/698

FOREIGN TRADE AND INVESTMENT

LIANG BUTING ATTENDS JOINT-VENTURE RECEPTION

SK120451 Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Jun 85

[Text] The Shandong International Economic Development Corporation, the province's first joint venture between China and Singapore which will use foreign capital, import advanced technology, and carry out construction and investment in the country, was established in Jinan. The first meeting of the board of directors of the corporation was held on the morning of 11 June to discuss relevant issues and announce its official opening. The corporation is jointly established by the China International Trust and Investment Corporation, the Singapore Joint Industrial Corporation, and the China Shandong International Economic and Technical Cooperation Company. Its major business covers foreign capital utilization; import of world advanced technology and equipment; investment in industry, agriculture, tourism, and blanket production by making use of the abundant natural resources of Shandong; and opening up domestic and international markets through joint ventures, cooperative business, cooperative production, processing and assembly, and compensatory trade. This corporation will also undertake leasing business, offer information, technical, and economic consulting services, and carry out some foreign trade aiming at balancing the foreign exchange of the corporation itself. Its establishment will play a positive role in accelerating the province's modernization drive.

Liang Buting, secretary of the provincial CPC Committee, attended and gave a congratulatory speech at the reception held to celebrate the establishment of the corporation on the evening of 11 June. Bi Jichang, vice chairman of the China International Trust and Investment Corporation, Mr Liang Zhiwei, director of the Singapore Economic and Trade Development Bureau, and Mr Huang Hongnian, president of the Singapore Joint Industrial Corporation, were present at the reception. Also present were responsible comrades of relevant provincial departments and some cities and prefectures.

CSO: 4006/698

## FOREIGN TRADE AND INVESTMENT

### DALIAN READIES FOR FOREIGN INVESTMENT

OW170816 Beijing XINHUA in English 0703 GMT 17 Jun 85

[Text] Thousands of workers are now leveling the ground, surfacing roads, laying pipes and undertaking other civil engineering projects, while streams of lorries come and go to a village near Dalian City, Liaoning Province.

Maqiaozi Village, 33 km from the city in northeast China, was a sleepy hamlet only one year ago. It is the site of the Dalian Economic and Technological Development Zone now.

Part of the zone is ready for foreign investment after seven months of construction work, according to project official Xi Zhengkui.

Sites have already been prepared for 100 factories of an average of 5,000 square meters each, he said. The development zone is planned to cover 20 sq km, of which five sq km are designated as first-phase construction, including three sq km for industrial enterprises and the rest set aside for living quarters and service premises.

The roads (including a 60-meter wide main highway), gas, water and sewage pipes, and telecommunications facilities will be completed in October this year, according to the development corporation.

To guarantee the supply of electricity in the zone, two 66-kw transmission lines are being constructed to form a ring grid. The transformer station is scheduled to go into operation by the end of this year.

Construction of a first-class hotel to accommodate foreign businessmen will also be completed by the end of this year.

To add to the attractions of the zone, a street which will have restaurants offering various types of Chinese cuisine is being planned, according to the development corporation.

CSO: 4020/259

FOREIGN TRADE AND INVESTMENT

YUNNAN COOPERATION, TRADE TALKS END IN HONG KONG

HK13408 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 13 Jun 85

[Text] The talks held by our province in Hong Kong on international economic and technological cooperation and trade lasted 12 days and concluded on 10 June. During the talks, 276 contracts and agreements of various kinds were signed and the total volume of business amounted to \$290 million and exceeded the original plan by 200 percent.

Through these talks, many Hong Kong and Macao compatriots and foreign friends have deepened their understanding of Yunnan and good conditions for still better cooperation in the future have been created. With the vigorous assistance and support of friends of various circles in Hong Kong, many businessmen gathered at the talks and engaged in lively talks. Smooth progress and success were made.

In addition to Hong Kong and Macao compatriots, some 1,300 new and old firms from the United States, Britain, France, the FRG, Italy, the Netherlands, Canada, Sweden, Switzerland, Australia, Japan, Thailand, Singapore, Norway, and Jordan attended these talks. Besides the 150 items formally announced to foreign countries, many contacts and discussions on other items were carried out in accordance with the suggestions of businessmen and in the light of our province's practical requirements and possibilities. A number of new items were promptly announced and signed.

Of the 276 contracts and agreements signed at the talks, 25 deal with economic cooperation with foreign countries in tourism, the chemical industry, energy resources, electronics, machinery, and light industry; 64 deal with the importing technology in weaving, food, plastics, machinery, and power; 66 contracts were for exports, and 121 for imports.

CSO: 4006/698

FOREIGN TRADE AND INVESTMENT

BRIEFS

**NEW HOTEL IN DALIAN**--The foundation stone was laid on 25 May for the China Dalian International Hotel built by Dalian City of Liaoning and Hong Kong businessmen. Located in the east side of Dalian City's Zhongshan Square, the hotel is the first modern hotel built since Dalian City was opened to the outside. The 25-story hotel, which covers 24,000 square meters in floor space, is built to provide food, lodging, and trade talk rooms for foreign businessmen and foreign tourists. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 29 May 85]

**LIAONING EXPORT COMMODITY SALES**--Liaoning Province enjoyed brisk sales at the 1985 Spring Export Trade Fair concluded recently in Guangzhou, Guangdong Province. Its total sale reached more than 169 million U.S. dollars, a some 2-million-U.S. dollar increase over the figure of the 1984 spring export trade fair. [Excerpt] [Shenyang Liaoning provincial Service in Mandarin 1030 GMT 19 May 85]

**HEILONGJIANG TRADE FAIR TRANSACTIONS**--At the spring Guangzhou trade fair, which ended on 15 May, Heilongjiang Province's transaction volume of products for export reached \$84.8 million, an increase of 34.5 percent over last year's, and an all-time record. [Excerpt] [Harbin Heilongjiang Provincial Service in Mandarin 1000 GMT 16 May 85]

**FUJIAN GOVERNOR MEETS CANADIAN BUSINESSMEN**--President Smith and General Manager Huag of Canada's Siemens (Overseas) Co., Ltd., visited Putian City 11-15 May for talks on joint ventures. An agreement on cooperation in manufacturing paper from bagasse and on other cooperative projects was reached in the spirit of equality and mutual benefit. The agreement was signed in Putian City on 15 May. Governor Hu Ping and provincial government adviser Wang Yan met with the Canadian friends during their stay in Putian. [Text] [Article by correspondent Wu Jianhua] [Fuzhou FUJIAN RIBAO in Chinese 17 May 85 p 1]

CSO: 4006/698

15 July 1985

SINO-SWISS NYLON FIBER VENTURE--The People's Republic of China, which has made no investments in nylon textile fibers for many years, is once again becoming increasingly active in this area. Its partner in this venture is the Ems-Inventa AG, a Swiss subsidiary of EMS-Chemie AG, Domat. The Chinese investment in three production facilities amounts to about 150 million Swiss francs; EMS is participating in the amount of 85 million. The new polyamide facilities are to provide the People's Republic of China with participation in the most up to date nylon fiber technology. The EMS subsidiary has annual sales of about 350 million Swiss francs. It is the largest enterprise in the canton of Graubuenden and has for several years operated production facilities in the United States as well. [Text] [Duesseldorf HANDELSBLATT in German 15 May 85 p 23] 9273

ZHANG JINGFU MEETS BELGIAN LEADER--State Councillor Zhang Jingfu today discussed with Chairman Gaston Geens of the Flemish Government of Belgium on the issues of running joint ventures, expanding Belgium's investment in China and trade balance between the two countries. At a meeting with Zhang here this afternoon, Geens noted rapid progress in Belgium-China economic relations over the past few years and showed his great interest in further development of such relations. He said Belgium was ready to study thoroughly and explore the possibilities for its technological transfer to China and other ways of cooperation. Zhang expressed his appreciation, saying that China shared the same desire for further expansion of economic relations and trade between the two countries. Wang Yaoting, Chairman of the China Council for the Promotion of International Trade, was present on the occasion. [Text] [Beijing XINHUA in English 1256 GMT 31 May 85]

CSO: 4020/259

15 July 1985

## SPECIAL ECONOMIC ZONES

## YOUNG PEOPLE CONTRIBUTE TO SPECIAL ECONOMIC ZONE

OW170814 Beijing XINHUA in English 0714 GMT 17 Jun 85

[Text] Shenzhen, Jun 17 (XINHUA)--Chen Zifang, a Hong Kong business executive now working in Shenzhen, has high regard for his young workers, Communist Youth League (CYL) members among them, in particular.

Chen is manager of the Bamboo Garden Hotel, a joint venture between a Hong Kong firm and Shenzhen, one of China's four Special Economic Zones. "These kids have done a lot to help make the business a success," he said in an interview with XINHUA.

As in most other businesses in Shenzhen, men and women in their twenties account for the bulk of the hotel staff. "They are eager to learn, and the Youth League seems to have done a lot to help," Chen said.

Young workers at the hotel are attending different spare-time "interest classes" sponsored by the CYL committee, which provide training in foreign languages, electrical engineering, literature and history, cooking and service.

One such "class" offered a quiz on difficulties that waiters and waitresses might encounter in their work--questions like "what would you do if a customer refuses to pay for a fish dish he has almost eaten up, while insisting that it is not well cooked."

"The first to give the correct answer will be given a souvenir," said Zhong Huijian, the hotel's CYL secretary. "We believe that a profitable Bamboo Garden Hotel is not only in the interest of the Hong Kong investor, but also in the interest of the nation and the workers."

The hotel is one of the most successful businesses in Shenzhen, with an occupancy rate of 85 percent on the average. "Most of the best young workers are CYL members, who were recruited on their merit in work and study," Zhong added.

Shenzhen, once a fishing town, has grown into a city with high-rise buildings, luxury hotels and factories since it was made a Special Economic Zone as part of China's opening to the outside world.

About one-third of the 160,000 young people working in Shenzhen are CYL members. Young workers account for 85 percent of the local labor force, and 95 percent in enterprises using Hong Kong, Macao, or foreign investment.

Over 70 percent of the youths are studying in their spare time, according to city officials.

The CYL, a mass organization for people between 14 and 25, also organizes dance parties, picnics and other activities for members as well as non-league youths.

CSO: 4020/259

LABOR AND WAGES

GANSU FEDERATION OF TRADE UNIONS IMPROVES WORK STYLE

HK181156 Lanzhou Gansu Provincial Service in Mandarin 0430 GMT 18 Jun 85

[Text] The provincial federation of trade unions has seriously consolidated its results of party rectification and has strived to improve its work style. A new phenomenon of going deep into the basic levels and wholeheartedly serving the basic levels has emerged in the whole organization.

Last year, in the course of party rectification, the provincial federation of trade unions grasped the improvement of work style and the providing of service to the basic levels as a key point and achieved marked results. In order to consolidate and develop the results of party rectification, this year, they have taken measures to ensure that a mass organization must do mass work. Leading comrades of the provincial federation of trade unions and all its work departments have gone respectively to 12 basic-level units to set up liaison points. They have also formulated regulations on the issuing of documents, and strictly controlled the issuing of documents by all work departments. The number of documents sent down in the first 5 months of this year was 50 percent less than in the same period last year. At the same time, they have made the internal work of the organization methodical and orderly.

Due to the effective measures, the provincial federation of trade unions has shifted being a service organization. In the first 5 months of this year, several leaders of the provincial federation of trade unions and cadres of its principal work departments went deep into basic levels to conduct investigation and study for a total of over 450 days and spent a total of 46 days on summing up various kinds of experiences.

CSO: 4006/707

## LABOR AND WAGES

### LABOR SERVICE COMPANIES ABSORB SURPLUS LABOR

OW131746 Beijing XINHUA in English 1447 GMT 13 Jun 85

[Text] Harbin, June 13 (XINHUA)--Labor service companies set up by factories are absorbing surplus labor and jobless young people, Ma Jipo, director of the Harbin Bearing Plant, told XINHUA here today.

The plant, with over 10,000 employees, has imported advanced equipment and streamlined production in recent years, making 1,200 workers redundant.

At the same time, thousands of high school graduates were waiting for jobs.

The labor service company organized by the plant has taken on over 8,000 people, including the surplus workers and the jobless young people. They produce spare parts, hire out labor, contract for installation and construction projects and open hotels and restaurants, the director said.

Though the state does not allocate investment to labor service companies, their workers often earn more than in state-owned ones because they are responsible for their own profits and losses.

Manager Yang of the Harbin Insulant Factory's labor service company says his workers' wages average 70 yuan a month and rise to 140 yuan, both much higher than in the factory itself.

The service company turns out paint, insulant tubes, packing cases, instrument cases and meters, making 220,000 yuan last year. He expects 500,000 yuan this year.

Local economists consider that labor service companies not only solve the problem of surplus labor and jobless youth but also alleviate the shortage of service facilities.

Only 12 percent of Chinese workers are in the service trades, much fewer than elsewhere. The problem looms large in many big cities, where it is difficult to find a hotel, have a suit made, get a bicycle repaired or find a bath-house.

The government encourages enterprises to set up or expand service trades with their surplus labor and facilities. Labor service companies are exempted from income tax for one to three years.

Almost every major enterprise in China now has a labor service company.

LABOR AND WAGES

WAGE REFORM IN CONSTRUCTION INDUSTRY URGED

Beijing JIANZHU JINGJI [ARCHITECTURAL ECONOMY] in Chinese No 3, 18 Mar 85  
pp 2-4

[Article by Fu Renzhang [0265 0088 4545]: "Wage Reforms Must Stay Ahead of Reforms in the Construction Industry"]

[Text] Wage reforms in the construction industry have made considerable progress in recent years. All those who have been involved in the changes felt the stubborn resistance in their way. With decisive actions, however, they have succeeded in overcoming the resistance and put those reforms at the forefront of the movement to reform the industry as a whole. The good situation now prevailing in the industry cannot be understood in isolation from wage reforms.

The reform of the construction industry falls roughly into three stages, all involving and being spearheaded by wage reforms. The first stage began in 1980 with changes in the relations of distribution and actions to solve reimbursement problems in the industry. The industry learned from reforms in the agricultural production responsibility system and adopted economic contracting at each level. There were two major reforms during this stage. First, an enterprise was allowed to share its profits with the state and given greater operational autonomy. Second, it was henceforth held responsible for finishing a project within a scheduled time limit, for its quality and for holding the costs down to an agreed level. It was also held responsible for the construction materials used. Also instituted was a "four responsibilities and one bonus" responsibility system. The second stage began with the 12th National Party Congress. On the basis of its 3-year reform experience, the State Urban and Rural Construction Commission put forward a 10-point reform scheme including proposals for a responsibility system for fixing the share of wage in every 100 yuan of output value, a team system combining cities and villages and a flexible personnel system. Upon approval by the State Council, the scheme was adopted for implementation at selected points on a trial basis. The third stage dated from 1984 with Premier Zhao Ziyang's "Report on Government Work" to the second session of the sixth National People's Congress. The premier spelled out clearly the direction, policies and principles of the reforms in the construction industry and in the management of capital projects, highlighting in particular the economic responsibility system in all its diverse forms, thereby further broadening and substantiating the reform of the industry. Common to all three stages is their emphasis on distribution. They all go after the practice of "eating from the big rice pot" and seriously

seek to sort out the relations between the state and enterprises and between the enterprises and workers. And sorting out these two sets of relations, so essential to fully mobilizing the enterprises and workers' initiative, creativity and enthusiasm for production, lies at the heart of economic reform. They constitute the motive force for economic development. Herein also lies the key to building a vital, dynamic socialist economic system with Chinese characteristics and promoting the development of social productive forces.

Why must wage reforms precede reforms in the construction industry? How? These questions require serious consideration.

## I

To increase the driving force of economic development, we must come to grips with distribution. If we can integrate economic responsibility, economic power and economic benefits rationally, in other words, if we can solve the problems arising from the distribution of the profits and wages of an enterprise, we will be taking a big step towards administrative simplification, power delegation, separating the responsibilities of the state from those of the enterprise and invigorating our enterprises. But between the interests of an enterprise and those of workers, we must tackle the latter first because the masses of workers constitute the driving force behind production development. Only by looking after their vital interests can we promote production development. Thus Lenin said, "All key sectors of the national economy must rest upon our concern for the interests of the individual," evidence enough that given certain conditions, distribution determines production. An important part of economic reform is to integrate closely the interests of the state with those of the collective and the individual so that they will "fall and rise together." The basic spirit of the wage reform in enterprises, to be launched soon, is also one of bringing workers' wages in tandem with the economic results of the enterprise. Since wages constitute a primary interest for workers and since wage reforms constitute a big part of economic reform, workers will concern themselves with the interests of the state and the enterprise and all economic activities through their concern for personal interests. In this way, we will succeed in "resting all key sectors of the national economy on our concern for the interests of the individual." We know from practice that during the three stages of reform in the construction industry, among all measures designed to mobilize workers' enthusiasm, the most effective remain the rational distribution of wages and bonuses. The reason why the responsibility system for determining the share of wage in every 100 yuan of output value and various economic contracting responsibility systems in enterprises have had such outstanding success is because they are all conducive to overcoming the failures of equalitarianism and realizing the principle of distribution according to work. Summing up our experience, we must zero in on the personnel and distribution systems if we are to make headway in industry-wide reforms. In fact, wage reforms present us with a shortcut to reforming the construction system structurally. The former is no mere foil for or an ordinary part of the latter. Rather, it is a prerequisite for reforming the construction industry. Distribution is the key that unlocks the door to reforming the industry. Guided by "leftist ideas" in the past, we dismissed as a distributionist whoever talked about the

negative effects of distribution on production. As a result, we confined ourselves to tinkering with the ownership system and administrative relations repeatedly, without really solving the problems. The "Resolutions" of the party Central Committee on economic reform points out, "Production is the starting point for the entire economy and dominates it. It determines consumption, whose growth is a powerful driving force behind the creation of new social demand, the expansion of markets and the generation of further production development." In this respect, consumption also determines production. Therefore, we can say that production relations are realized through distribution and that enthusiasm for production is mobilized through distribution. The rigid interpretation of production as a determinant of distribution gives us only a partial picture. Distribution is right now an important approach towards eliminating the various manifestations of the "eating from the big rice pot" phenomenon in the construction industry. In a certain sense, whoever grasps the economic lever of distribution holds the key to reforming the construction industry.

Other nations also have a lesson for us in whether or not we should give priority to wage reforms when we go in for economic reforms. Materials available to us suggest that Eastern European countries began economic reforms in the early 1950's, focusing on planning, markets, profits, taxes and credit, among other things, and paying only incidental attention to wages. They put in a lot of hard work but achieved little in the way of solving their economic problems. In fact their economies slowed down instead of picking up. Since the 1970's, some nations have begun to make wage and price reforms their starting point and achieved instant success. We should learn from their experience and carry on with our wage reforms with greater determination.

## II

As part of our wage reforms, the responsibility system for fixing the share of wage in every 100 yuan of output value and various economic contracting responsibility systems should continue to be adhered to. They constitute two major issues in the reforms within construction enterprises at present. After the institution of the second step of the reform to require enterprises to pay taxes instead of turning over their profits, the relations between the state and the enterprise have become settled in principle. But we have not yet totally resolved the question of equalitarianism in enterprises. Nor have we completely stopped enterprises from eating off the "big rice pot" of the state or reversed the tendency to "penalize the advanced enterprise" and pamper the laggard. The responsibility system for fixing the share of wage in every 100 yuan of output value has considerably improved the relations between state and the enterprise and is indispensable to refining the reform of the construction industry. By putting all enterprises on an equal footing, it cures the malady of paying workers of various productivity the same wage and the unequal distribution of benefits resulting from paying workers different wages despite their similar productivity. To increase its economic results, an enterprise must increase labor productivity, which means bringing down the individual labor time consumed in the making of one product unit so that it becomes lower than the socially necessary labor time. It should develop a concern on the part of each worker for its operations and achievements, and since a worker's

wages and bonuses depend not only on his contribution to the enterprise, but also on the contribution of the enterprise to society, it can in this way integrate the economic interests of the individual with those of the enterprise and cultivate a shared interest in the entire production process, including its end products. The responsibility system for fixing the share of wage in every 100 yuan of output value helps maintain an equilibrium between total wages and national income. Wages here have nothing to do with the number of workers employed, but have everything to do with output and its quality. Once we fix the percentage in every 100 yuan of output value which should go to the worker as his wage, we effectively put a ceiling on the total amount of wages. And the only way in which an enterprise can pay these wages and maintain a stable relationship with national income is to be as productive and turns out as much popular merchandise as possible. The advantages of this system have been amply demonstrated in practice. Its implementation has not been free from problems. For example, the percentage is set too low in some cases and too high in others. Some enterprises show an exclusive preoccupation to boost output value, neglecting the finishing touches or the quality of their work. But these are not intrinsic weaknesses and can be remedied so long as we analyze them seriously and diagnose their causes. Good things and bad necessarily occur in the course of carrying out any idea, particularly reforms. This is because they cannot but clash with existing practices, which, in place for more than 30 years, have become second nature to us. Aspects of the reforms which must be further strengthened are exactly those areas most vulnerable to criticism. Our mission now is to think of ways to resolve the differences between the new system and old practices and persist with the responsibility system for fixing the share of wage in every 100 yuan of output value, affirmed time and again by the State Council, and perfect it step by step so that it can be even more effective in paving the way for the reform of the construction industry.

Another success story in the reform of the construction industry is the economic responsibility system within an enterprise. It borrows a lesson or two from the reform in the production responsibility system in rural areas and integrates them with construction activities. The result is something quite unique. Commentators have pointed out that "the production responsibility system, which smashed the 'big rice pot' and the 'iron rice bowl' in rural areas and eliminated the practice whereby a department came to develop a sense of ownership towards its workers, has made its entry into the construction industry and, later, the entire economy." We must conscientiously sum up our experiences. Among them was that of the Construction and Engineering Bureau in Chongqing targeted the housing industry employing the housing work team responsibility method using a cost type of accounting method and construction plans. Another experience was provided by the Shenyang General Construction Company, where a contracting team assumes collective responsibility for its profits and losses and for every project it undertakes during a year, from beginning to end. Its responsibility also covers construction materials and costs. "The team is allowed to keep its profits, if any, and, by the same token, must make up its own losses. Distribution is based on work and the team is democratically managed." Such experiences, which should be highly valued, share one similarity: the separation between ownership and management, a feature which "cooperatively run" state enterprises looked askance at earlier. Now the "Resolutions" have come to a clear verdict, namely that "based on Marxist theories and socialist practice, ownership and management can be properly separated." Today we can even more boldly adopt these two

contracting systems. Separating the ownership of an enterprise from its management changes the relations between the means of production and producers: from an indirect social integration, it has become a direct integration within the contracting team. The contracting team itself is transformed from a mere production organization into a basic accounting unit, an independent operational level within the enterprise. In this way, not only is ownership by the whole people of the means of production consolidated, but the masses of workers are also recruited into the operation and management of the enterprise, which gives a real meaning to their sense of responsibility as masters. It changes the relations between the enterprise and the contracting team into one between owner of the means of production and their user. By virtue of its ownership of the means of production, the enterprise deducts funds from the economic results of the contracting team as the latter's (the team's) payment for the use of the means of production. Moreover, the enterprise imposes controls on such means, prohibiting their sale and purchase, leasing and transfer. By virtue of its authority to use the means of production, the contracting team exercises autonomy over the use of construction workers, the deployment of construction machinery and the disposal of profits within the limits of the contracting agreement. In the past, the relationship between the enterprise and the team was simply a hierarchic and administrative one. Now they have a production relationship which is interactive and mutually supportive. The new system also brings changes to the distribution relations within a contracting team itself. Because the enterprise deducts a certain amount of profits for itself and entrusts to the team the appropriate responsibilities, what used to be pressure on the collective contractor now becomes an incentive activating the most dynamic element in the production process, the producer. In this way, workers' personal interests mesh with those of the collective. At present, the most formidable difficulties in carrying out the economic contracting responsibility system are that the accounting units in some cases are too large and that distribution still fails to match work. For maximum efficiency, the size of a contracting team and its management standard must be equal to the magnitude of the projects it undertakes. In distribution, we must abide by the principle that the harder one works, the more one earns and vice versa and strive to bring about conditions which will enable intelligent, hardworking people to become rich first so that they, in turn, can help others move ahead as well.

12581  
CSO: 4006/534

TRANSPORTATION

GANSU HELPS POOR AREAS BUILD ROADS, WATER FACILITIES

HK130637 Lanzhou Gansu Provincial Service in Mandarin 2300 GMT 10 Jun 85

[Text] In the form of replacing relief work with the offering of jobs, the whole province has supported poor areas in building county and township roads and water conservation projects which have progressed smoothly. Certain achievements have been made. At present, all projects have been started.

By the end of May, the whole province had started building and rebuilding 123 roads, 1,415 kilometers, which accounted for 76.9 and 66 percent of its quotas respectively. It had also started repairing and building 40 brigades and 14 suspension bridges. It has now completed the building of roads, 123.5 kilometers and the rebuilding of roads, 427.6 kilometers. It has started building 669 water conservation projects, which account for 81 percent of its quota. It has now completed the building of river embankments and channels, some 40,000 meters each; 10 pond embankments; and 148 small drainage and irrigation projects and drinking water projects for people and livestock.

The provincial conference on replacing relief work with the offering of jobs and on building roads and water conservation projects which concluded in [words indistinct] on 9 June, discussed some policy problems and emphatically pointed out: The renumeration for building roads and water conservation projects in the form of replacing relief work with the offering of jobs must be issued in accordance with regulations. All places must formulate regulations on the supply of materials and use of all funds and put them on a sound basis so as to ensure special funds for special purposes. It is necessary to keep ties between arrangements for projects and economic results, to support good Aote, and not to pursue egalitarianism. It is essential to raise funds through many channels for providing complete sets of equipment for these projects. Under the premise of guaranteeing the quality of the projects, it is imperative to use alternative materials for the materials which are in short supply and to really guarantee that the quality of the projects measures up to the standards of the same projects. We must oppose formalism.

CSO: 4006/701

TRANSPORTATION

BRIEFS

SHANXI XIAN HIGHWAY BRIDGE--Xian, 3 Jun (XINHUA)--Visitors to Emperor Qin Shi Huang Di's 2,000-year-old underground army here will feel more convenient as a new bridge opened to traffic recently. The highway bridge, 1,145 meters long and 10.5 meters wide, is 4 kilometers from the museum of the emperor's buried sculpture legion in Xian, Shanxi Province. In its vicinity are other sites of historic interest like the tomb of Qin Shi Huang Di, the first emperor of the Qin Dynasty (221-207 BC), and the Huaqing Pool, a hot spring resort for Emperor Xuan Zong of the Tang Dynasty (618-907) and his favorite concubine Yang Yuhuan. The bridge on the Wei River, the biggest tributary of the Yellow River, links two highways and three railway lines nearby. [Text] [Beijing XINHUA in English 1634 GMT 3 Jun 85 GW]

QINCHAI 'SALT' ROAD--Xining, 6 Jun (XINHUA)--A 130-km highway built entirely with salt is nearing completion in Qinghai Province's Qaidam Basin, best known for its huge salt deposits. The new road will bring the length of salt highways in the basin to 503 km, according to the provincial communications department. There are 33 salt lakes covering 30,000 sq km in the Qaidam region, about one-seventh of the basin's area. Salt reserves there are estimated at 60 billion tons--half of China's salt lake total. The first 32-km salt road was built in the town of Golmud in the basin 30 years ago, since cement and asphalt roads cannot withstand salt corrosion, it has proved superior to a cement road in terms of smoothness, hardness and reliability. Houses built with salt have been put up along the road. Factories, schools and hospitals have sprung up there, and the area has been opened to foreign and Chinese tourists. Salt roads are very easy to maintain, an official said. When water is sprayed on the road surface, surrounding salt will dissolve promptly to fill in hollows following the vaporization of the water. Qaidam is extremely dry, with an annual rainfall of less than 50 mm. [Excerpt] [Beijing XINHUA in English 1157 GMT 6 Jun 85 GW]

CSO: 4006/701

PUBLICATIONS

BRIEFS

CHINA DAILY TO ADD BUSINESS WEEKLY--CHINA DAILY, China's first national English language daily newspaper, will add a business weekly for its North American readers, according to a CHINA DAILY news release. The first issue will appear on June 19. It will concentrate on China's economic work, trade and economic relations with foreign countries, including information on joint ventures, foreign investment, financial and market data, and national statistics as well as exhibitions of new products. [Text] [Beijing XINHUA in English 0251 GMT 17 Jun 85]

CSO: 4020/259

Comparative Economic Systems

AUTHOR: CHEN Xueyan [7115 1331 3601]

ORG: None

TITLE: "Economic Theory, Management in Hungary"

SOURCE: Beijing JINGJI LILUN YU JINGJI GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT] in Chinese No 1, 28 Jan 85 pp 9-13

ABSTRACT: In 1968, Hungary initiated a management system for its economy. Based on public ownership of the means of production, the relationship between goods and centralized administration (in the setting of the planned growth of the national economy) is organically coordinated with the active function of the market. Autonomy of the enterprise is sufficiently broadened while multiple economic forces are allowed to coexist. The currency-goods relationship and the market can monitor the national economic plan, thus correcting any serious imbalances in the plan. The broadening of enterprises autonomy does not weaken centralized control; rather, this can enhance the administrative efficiency of the economy. Prior to direct administration of an enterprise is indirect adjustment, which consists of price, profit, taxation, wage, bonus and loan interest, with profit as the focus of enterprise activities. Multiple economic forces coexist: the state ownership system, the collective ownership system and the private ownership system. The latter can flexibly compensate for any shortcomings of the public ownership system and expose some of its weak points so as to stimulate its competitiveness. However, any obscene profit or unethical income in the private sector is punishable by law. Agriculture is the typical model of coexistence among the three ownership systems; animal husbandry is the main line of the private sector, which accounts for some 53 percent of all hog production 30 percent of dairy cattle production, and 73 percent of poultry production in Hungary. In the pricing policy, there are fixed official prices, negotiated prices, and free floating prices. About one-third of the profit is the enterprise's share while the state's share comes from taxation and loan interest. Out of the enterprise's share, about three-quarters is allocated to the development fund while the rest goes to bonuses.

10424

CSO: 4011/26

TAIWAN

#### ECONOMIC PLANNING COUNCIL APPROVES POWER PLANT

OW210314 Taipei CNA in English 0232 GMT 21 Jun 85

/Text/ The Council for Economic Planning and Development /CEPD/ at a meeting Wednesday agreed in principle to the building of a coal-fired power plant at a site near Taichung Harbor.

With a storage capacity of 4.4 million kw, the proposed power plant, upon becoming fully operational, will generate more electricity than the combined volume of Taipower's No 1 and No 2 nuclear power plants.

Chao Yao-tung, chairman of the CEPD, said that, construction of the new traditional fuel-fired plant, however, would not mean replacing the nation's fourth nuclear power plant which remains in the process pending final approval of the government.

He stressed that the proposed No 4 Nuclear Power Plant is absolutely necessary, but the project may be postponed for a short period of from 6 months up to a year.

L. K. Chen, chairman of Taiwan Power Company, pointed out at the CEPD meeting that Taipower will be unable to supply additional electricity to meet the increasing needs by 1990 as its existing power generating capacity is expected to reach the saturation point at that time.

Under the circumstances, construction of the coal-fired plant in Taichung, which calls for at least 4 or 5 years to complete, has turned out to be an urgent issue, Chen said.

In the initial stage, the project will be involved in the installation of four coal burning generators, each with an installed capacity of 550,000 kw. They are expected to become operational between 1990 and 1992, he noted.

The construction project, including acquisition of land, building a breakwater and dredging of the harbor channel for coal shipments, calls for an outlay of NT\$19.9 billion (about U.S. \$450 million), Chen added.

CSO: 4020/263

TAIWAN

## SINO-FRANCO ECONOMIC CONFERENCE OPENS IN PARIS

OW190431 Taipei CNA in English 0326 GMT 19 Jun 85

[Text] Paris, June 18 (CNA)--The second Sino-Franco economic consultation conference opened Tuesday at the meeting hall of the French Steel Industry Association.

Speaking at the opening ceremony, Pierre Aigrain, Chairman of the French Organizing Committee, told more than 200 French and Chinese industrialists and business leaders that France hopes to further expand its economic relations with the Republic of China because the ROC is a future potential economic power and market not only in Asia but also in the world.

Aigrain stressed that following the successful first meeting in Taipei last year, this second conference marks another step forward in the substantive relationship between Paris and Taipei.

He said that France should not be misunderstood as only a country producing fashion and perfume, and that it is also a nation manufacturing many high-tech products which could be transferred to help the ROC develop its science and technologies.

There is ample room for expansion of trade and economic ties between Paris and Taipei because the ROC is only the 57th customer and 39th supplier of France.

In replying to Aigrain's remarks at the opening meeting, Chang Kuan-shih, president of the China External Trade Development Council and leader of the visiting 34-member strong delegation from the ROC, reaffirmed the ROC's determination and keen desire to absorb French technologies to upgrade its industrial structure.

Chang told his French audience that the ROC would continue to open up its market, liberalize its foreign trade and improve its investment climate in order to promote free trade with all friendly nations of the world.

However, he also urged France and other free nations to do the same in trading with the ROC.

The ROC is now the 15th biggest trading nation of the world and ranked 11th in terms of exports among all nations, Chang pointed out.

TAIWAN

BRIEFS

SEMICONDUCTOR GAS JOINT VENTURES--Taipei, June 17 (CNA)--To keep pace with the rapidly expanding electronic industry, two leading industrial gas manufacturers here will enter into joint venture cooperations with foreign companies to produce semiconductor gas, company officials have announced. Lien Hwa Industrial Co., signed a joint cooperation contract with British Oxygen Co. of Britain. A Lien Hwa spokesman said that the British company will offer technical assistance and Lien Hwa will provide the factory site for use in the production of semiconductor gas. The new gas factory is scheduled to be completed within two years. San Fu Chemical Co., another leading industrial gas producer on the island, reported that it has reached agreement with a Japanese company to jointly produce semiconductor gas in Taiwan. The official declined to reveal the name of its joint venture partner. Currently, all semiconductor gas is imported. [Text] [Taipei CNA in English 0316 GMT 18 Jun 85]

TAIWAN, FRANCE ECONOMIC CONSULTATIONS--Paris, June 17 (CNA)--In addition to seeking investment and technology transfer from France, industrialists from the Republic of China (ROC) may consider making investment in France with a view to further expanding their trade activities with West European countries. A group of 34-member industrialists, led by Chang Kuan-Shih, president of the China External Trade Development Council, is now in France to attend the second Sino-Franco economic consultation conference. On the eve of their arrival, French Government had adopted a series of measures to attract more foreign investments. At present, the United States is the biggest foreign investor in France (about 36 percent), followed by Japan (about 34 percent) and West Germany (about 10 percent) and then Britain (about 8 percent). The French Government stressed that France has an ample supply of skilled workers whose wages are competitive, and that France, in view of its strategic position in central and southern Europe, can serve as a bridge to trade with the whole of Europe. French Government sources expressed welcome to ROC's business leaders to utilize France as base to diversify their activities in this continent. [Text] [Taipei CNA in English 0239 GMT 18 Jun 85]

MEETING WITH UK OFFICIAL--Lord Kindersley, chairman of the Anglo-Taiwan Trade Committee, visited Finance Minister J. K. Loh Wednesday to exchange views on the promotion of trade between the United Kingdom and the Republic of China. During the visit, Kindersley said that the United Kingdom is interested in selling more consumer goods such as candies and wool textiles to Taiwan. He expressed the hope that the Government of the Republic of China will lower the tariffs on certain consumer goods. He also told Minister Loh that British exporters are interested in supplying equipment for the Republic of China's current set of 14 major economic development projects. Loh said the Republic of China has already taken steps to lower import duties in an effort to promote free trade. He said the Ministry of Finance will consider all possible ways to promote trade between the two countries on the basis of mutual benefit.

[Text] /Taipei CNA in English 0232 GMT 20 Jun 85/

TAIPOWER CONTINUES TO DIVERSIFY POWER SOURCES--Taipei, June 10 (CNA)--The Taiwan Power Company's efforts to diversify energy sources have paid off in increased profits, Taipower's Chairman L.K. Chen said Monday. Chen also said Taipower will continue developing new plants that use coal or uranium in addition to building more hydraulic power plants. Taipower garnered a pre-tax profit of NT dollar 25.47 billion (about US dollar 640 million) between July 1984 and April 1985. Chen attributed the profit to lower fuel costs, expanded sales of electrical power, stable commodity prices and efficient management. Taipower expects to post a pre-tax profit of NT dollar 18.45 billion (about US dollar 460 million) in fiscal 1986 which will begin July 1, Chen said. Reporting at the Legislative Yuan on Taipower's operations, Chen said 14 percent of the state-run company's total installed capacity for electricity is produced from hydraulic generating units, 33 percent of its total power for production comes from oil-fueled generating units, 17 percent from coal-fueled units and the remaining 36 percent from nuclear power plants. To secure steady supplies of uranium, Chen said, Taipower has signed long-term contracts with producing companies in South Africa, the United States, Britain and France. Taipower is also discussing joint exploration of uranium mines with foreign firms for long-term supplies. Chen said electricity consumption in the Taiwan area has increased 30 times between 1953 and 1984 at an average growth rate of 11.7 percent annually. [Text]  
[Taipei CNA in English 1010 GMT 10 Jun 85 OW]

CSO: 4020/253

HONG KONG MEDIA ON CHINA

FOREIGN BANKS RECONSIDER BRANCH PLANS FOR SHENZHEN

HK180425 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 18 Jun 85 p 1

[Article by Olivia Sin]

[Text] Some foreign banks are reconsidering their plans to open branches in the Shenzhen Special Economic Zone, sources said.

They attributed this to China's stringent requirement on the amount of operating funds, limited scope of business and the slim chances of making profits.

As reported earlier, under China's new law governing foreign and joint venture banks, foreign banks opening branches in the zones have to register a working capital of 40 million renminbi (RMB) (about \$10 million) or its equivalent in foreign reserves.

"Some banks are finding this a bit hard to swallow," said one source.

After a meeting last month called by Chinese officials in Shenzhen, some bankers who attended said China failed to clarify many questions relating to the issue.

And apparently nothing has materialized since the meeting to satisfactorily answer the queries left hanging.

For instance, the Chinese have still given no clear indications on whether the banks are allowed to invest part of the 40 billion RMB overseas.

According to one source, the Chinese suggested that loans extended by foreign banks to the zones could be counted as part of their working capital.

But few banks have extended loans amounting to 40 million RMB.

Registering the remaining amount with China would still mean tying up a lot of funds, the source added.

Banks were also told that even if they made no profit, they would still be required to pay a three percent industrial and commercial tax on their turnover.

"But we want to seek an exemption from the tax," said the source.

Besides, unlike the Hong Kong taxation system, losses incurred by foreign banks opening branches in the zones cannot be carried forward.

Thus, the bankers feel the terms are not attractive.

"Some banks are having second thoughts over the idea of opening a branch (in Shenzhen)," added the source.

Bankers are also unhappy about the limited scope of business they are allowed to do in the zones.

Under the regulations, foreign banks can deal with foreign enterprises and joint ventures, but not state-owned enterprises.

One source said many state-owned corporations have amassed large amounts of foreign exchange through trading, and dealing with them would provide profit-making opportunities.

He added that many foreign enterprises and joint ventures in the zones have offices in Hong Kong and they would prefer to deal with local banks.

"Why should they deal with us in Shenzhen?" he asked.

Although China has said that foreign banks can handle RMB transactions, it has given no indications as to where the banks can obtain RMB, which is issued and controlled by the People's Bank of China, the country's central bank.

"If we cannot obtain RMB to lend to our clients, it is quite useless to talk about RMB transactions," said one banker.

Bankers are also not optimistic about the chances of making profits in the zones, which are still developing.

While Shenzhen is relatively developed, the other three zones--Zhuhai, Xiamen and Shantou--are working hard to improve their infrastructural facilities.

Considering the cost of manning a branch and the keen competition, the chances of making money in the first few years are slim, said one source.

A conservative estimate suggests that foreign banks would need at least \$100,000 a month to maintain a branch.

This includes rent for a 2,000 sq. ft. office and salaries for a staff of about 10.

Another source said there may be some chance of making money if the number of bank branches in Shenzhen is kept below 10.

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HONG KONG ECONOMIC TRENDS

BANK OF CHINA, HONG KONG BANK MOVE TO AID LOCAL BANK

HK180627 Hong Kong SOUTH CHINA MORNING POST in English 18 Jun 85 pp 1, 36

[Article by SOUTH CHINA MORNING POST staff reporter]

[Text] In an unprecedented move, the Hong Kong and Shanghai Bank and the Bank of China have jointly extended financial backing to a locally incorporated bank to quell rumors about its liquidity problems.

Their decision to extend a substantial line of credit to the Ka Wah Bank follows hot on the heels of the overseas trust bank episode.

An announcement by the Hong Kong bank last night said both banks were concerned about rumors which have been circulating about certain locally incorporated banks, and in particular the Ka Wah bank.

The statement said the rumors have caused the Ka Wah bank to take precautionary steps to improve its liquidity.

"Extensive discussions have been held over the long weekend between all parties concerned, including Hong Kong's banking commissioner.

"To deal with the present position, a substantial line of credit has been made available to the Ka Wah bank by the Hong Kong Shanghai Bank and the Bank of China," the statement said.

The support was warmly welcomed by community leaders last night.

Several saw the move as a good example of Sino-British cooperation in maintaining Hong Kong's stability and prosperity.

It also showed China's increasing understanding of Hong Kong's monetary machinery, they said.

An unofficial legislative councillor, Mr Peter Poon, who is also an Overseas Trust Bank (OTB) director, said the move demonstrated clearly that China understands Hong Kong's delicate economic situation.

It showed China is ready to offer a helping hand to maintain the local system in the transition period, he said.

Mr Poon said it is a good sign that the two banks have joined hands and he believes the move will have a "stabilizing effect" on Hong Kong's economy.

But he said the Ka Wah Bank uncertainty will not have as great an impact as the OTB episode had.

Problems caused by small depositors will be minimal and a more important difficulty lies in the possible shifting away from the bank by customers with big fixed deposits.

But Mr Poon does not anticipate there will be any major cash flow problems for the Ka Wah Bank for the time being.

Another OTB director, Mr Yeung Po-Kwan, said the leading banks' declaration should stop any further rumors about a bank crisis in Hong Kong.

"There is no other better solution to help revive public confidence in the smaller banks in Hong Kong," he said.

Mr Yeung said both the Hong Kong Bank and the Bank of China are individually capable of backing up the Ka Wah Bank financially.

In light of the OTB incident, he said, it was natural that many people wanted to withdraw their money from smaller banks and deposit it in larger institutions.

He said he hopes depositors will eventually put their money back in the small banks, which offer higher interest rates and more attractive loan terms.

Mr Yeung said it would have been inappropriate for the two leading banks to grant unconditional support for any bank affected by mismanagement or commercial factors.

Another LEGCO (legislative council) member, Mr Peter C. Wong, who has just returned from a trip to Beijing with a delegation of lawyers, described the action by the Hong Kong Bank and the Bank of China as a wise move.

He also said the move means the Ka Wah Bank is healthy--or the two banks would not have made such a commitment.

"It demonstrates that the two leading banks are determined to see that healthy financial institutions should not suffer as a result of unfounded rumors," Mr Wong said.

He also said the support is in line with the Bank of China's wish to expand the scope of its banking business in Hong Kong.

As far as Mr Wong is aware, this is the first time the Bank of China has publicly announced support for a local bank.

The move should not be interpreted as having any hidden political motives, he said, although China has an ultimate interest in maintaining Hong Kong's prosperity and stability.

Mr Wong cited the 1965 run on the Hang Seng Bank as an example of the grave effect that rumors can have on banks.

Although the bank was very solid at the time, he said, malicious rumors were spread and queues formed even after Hong Kong Bank announced its unlimited support.

The run stopped after the Hong Kong Bank announced it had acquired a controlling 50-percent interest in Hang Seng.

The vice chairman of the Hong Kong Belongers Association, Mr Sze Chusian, described the move as "timely help to a locally incorporated bank" which was experiencing a temporary cash flow problem.

"I think it is a very good move which demonstrates Sino-British cooperation in maintaining Hong Kong's status as a financial center.

"This is most encouraging to Hong Kong people," he said.

Mr Sze said the director of the local branch of the new China News Agency, Mr Xu Jiatun, had promised earlier that the Bank of China would offer help to other banks which were in trouble.

The Bank of China's support for the Ka Wah Bank with the Hong Kong Bank "is an implementation of Mr Xu's statement," he said.

Mr Sze said that as long as the two banks back the Ka Wah Bank, the problem is over.

"Should there be other banks which experience the same problem, we can believe the two banks will also come to their help," he said.

A leading businessman, who declined to be named, said it was inevitable that some of the smaller banks would come under pressure from worried depositors "when you get bigger banks like the Overseas Trust Bank going down."

He said the OTB bail-out caused major ripples in the banking system--some of which have reached smaller banks.

"Investors' and depositors' confidence is a very fragile thing," he commented.

The Hong Kong economy cannot afford another serious failure in the banking system and it is essential that the fabric of banking system should be held together, he said.

"It is entirely right and proper for the Hong Kong and Shanghai Bank and the Bank of China to stand together to support the smaller banks," he said.

Mr Andrew So, another legislative councillor, said his initial reaction is that Hong Kong needs a healthier banking management system.

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